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REPORT ON TAXATION IN WEST VIRGINIA

ROY G. BLAKEY

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REPORT ON TAXATION IN WEST VIRGINIA

REPORT ON TAXATION IN WEST VIRGINIA

BY

ROY G. BLAKEY

SUBMITTED TO
THE GOVERNOR OF WEST VIRGINIA
DECEMBER 27, 1930

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FOREWORD

BECAUSE of the diversity of opinion on the tax situation and its possible remedies in West Virginia, I engaged Dr. Roy G. Blakey, one of the outstanding tax experts of the country, who was recommended by some of the best known of our economists, to make an impartial, unprejudiced survey in this state.

The following excerpt from *Who's Who in America,* 1930-1931, gives an idea of the importance of his standing in economic circles:

"BLAKEY, ROY GILLISPIE, economist; born Shelbina, Missouri, April 27, 1880; son of Frederic Glendi and Minora (Gillispie) Blakey; student University of Missouri, 1900-01; Ph.B., Drake University, 1905; M. A., University of Colorado, 1910; PhD., Columbia, 1912; married Gladys McAlpine Campbell, of Galesburg, Illinois, August 1, 1917. Reporter Daily Camera, Boulder, Colorado, later Rocky Mountain News, 1908-09; special agent New York State Food Investigating Commission, 1912; assistant professor of economics, Cornell University, 1912-15; assistant professor of economics, 1915-18, associate professor, 1918-19, professor since September 1, 1919, University of Minnesota. Director Bureau of Research and Statistics, Minnesota State Tax Commission, 1916; economist and trade specialist, U. S. War Trade Board, 1918; economist and associate director, Savings Division U. S. Treasury Department, 1918-19; Institute of Economics, 1927-28; Consultant, North Carolina State Tax Commission, 1928-29. Member American Economic Association, Academy of Political Science, (New York), National Tax Association. Ex-President Minnesota State Tax Association. Beta Gamma Sigma, Phi Beta Kappa, Lambda Chi Alpha, Alpha Kappa Psi; Fellow Royal Economic Society, Royal Historical Society; Editor *The New American Thrift,* 1920, Associate Editor, National Municipal Review, 1921-27, Consulting Editor, Social Science Abstracts, 1929. Author: *The United States Beet Sugar Industry and the Tariff,* 1912; *National Tax Association Digest and Index,* 1927; also (brochures) *The*

Comparative Costs of State Governments, 1916; *The Export Trade Policy of the United Kingdom, 1913-18,* 1918; and various articles in volumes published by American Economic Association, the American Academy of Political and Social Science, etc."

Wm G Conley

Governor

Charleston, W. Va.
January 27, 1931.

REPORT ON TAXATION IN WEST VIRGINIA

OUTLINE

CHAPTER

LETTER OF TRANSMITTAL

I RECOMMENDATIONS AND SUMMARY

PART 1: INTRODUCTION

II REQUIREMENTS OF A GOOD TAX SYSTEM
III WEST VIRGINIA STATE AND LOCAL FINANCES—PRESENT STATUS

PART 2: OPERATION OF THE GENERAL PROPERTY TAX IN WEST VIRGINIA

IV ASSESSMENT OF COAL PROPERTIES
V ASSESSMENT OF REAL ESTATE

PART 3: ADMINISTRATIVE REMEDIES

VI SEPARATION OF SOURCES OF STATE AND LOCAL REVENUE
VII CLASSIFICATION OF PROPERTY
VIII CENTRALIZED SUPERVISION OF ADMINISTRATION

PART 4: SUPPLEMENTARY TAXES

IX SALES TAXES
X STATE INCOME TAXES
XI INHERITANCE AND ESTATE TAXES
XII GASOLINE AND MOTOR VEHICLE TAXES
XIII TAXATION OF FORESTS
XIV GENERAL APPENDIX
INDEX

TABLE OF CONTENTS

Chapter		Page
	Letter of Transmittal	xxvi
I	Recommendations and Summary	1
II	Requirements of a Good Tax System	33
III	West Virginia State and Local Finances, Present Status	37
	1. State Revenues	37
	a. State fund—general revenue	37
	b. State fund—special revenue	38
	c. General school fund	38
	d. State road fund	39
	e. Interest and sinking fund, Virginia Debt	39
	2. Local Revenues	40
	a. County courts	40
	b. Boards of education	41
	c. Municipal bodies	41
	d. Growth of local revenue from direct taxes on property	41
	e. Local direct levies on real and personal property and public utilities	42
	3. State Expenditures, 1915-1930	44
	4. Outstanding Bonded Indebtedness, Local and State, 1910-1930	46
	5. Comparative Expenditures and Tax Burdens	47
	a. Increasing expenditures	47
	b. Estimated income of the people of West Virginia and other states	48
	c. Increasing demands	50
	d. An old tax system in a new world	50
	Appendix to Chapter III	52
IV	Assessment of Coal Properties	58
	1. Methods Followed in Conducting Study	58
	2. Summary of Methods of Assessment in Different Counties	59
	3. Lack of Uniform Plan of Assessment	65
	4. Need of Assessment Manual	66
	5. Plan Used as Basis of Valuation of Real Estate	72
	6. Basis of Valuation of Coal Lands	73
	a. Smokeless coals	74
	b. Domestic fuel, steam coking and by-products coals	74
	c. Splint coals	75

Chapter		Page
	7. Salient Factors Regarding Assessment of Coal Mines Studied	75
	Map.—Locations of Coal Mines Studied	77
	Mine No. 1—Pocahontas Field, McDowell County	78
	Mine No. 2—Pocahontas Field, Mercer County	80
	Mine No. 3—Winding Gulf Field, Raleigh County	82
	Mine No. 4—New River Field, Fayette County	84
	Mine No. 5—Logan Field, Logan County	86
	Mine No. 6—Kanawha Field, Boone County	88
	Mine No. 7—Fairmont Field, Monongalia County	90
	Mine No. 8—Panhandle Field, Marshall County	92
	Mine No. 9—Fairmont Field, Monongalia County	94
	8. Summary and Discussion	98
	Appendix to Chapter IV. Appraisal of Gilbert-Davis Coal Company (In Bankruptcy)	102
V	Assessment of Real Estate	107
	1. Importance of Good Assessment	107
	a. The general practice of underassessment	107
	2. Survey of Existing System in West Virginia	107
	a. Sale prices of real estate compared with assessed values	108
	(1) Methods of investigation	110
	(2) Examples of inequalities	111
	(a) Farms	111
	(b) Lots, improved and unimproved	112
	(c) Tracts, improved and unimproved	112
	(d) Coal and timber land	113
	3. Interpretation of the Data	114
	a. Underassessment and overassessment	114
	(1) Summary of properties by counties	114
	(2) Summary of groups according to percentage of assessed values to sale prices	
	(a) Farms	116
	(b) Tracts	123
	(c) Lots	123
	(d) Total, all classes	124
	4. Importance of Equality of Assessment in West Virginia	125
	a. Dependence of the State upon property tax	125
	b. Present period of economic stress	126
	5. Conclusion	126
	a. Unsound and inequitable base of the West Virginia system	126
	Appendix to Chapter V	127

Chapter		Page
VI	Separation of Sources of State and Local Revenues	129
	1. Separation Defined	129
	2. Three Historical Stages of Separation	129
	3. Separation as an Engine of Reform	130
	a. Arguments for it	130
	b. Weaknesses	131
	c. General conclusions	134
	4. California's Experience with Separation Illuminating	134
	a. An extreme form adopted	134
	b. Difficulties with rates	135
	c. Inflexibility of revenues	136
	d. Effects on local assessments disappointing	136
	e. Conclusions and recommendations of the California Tax Commission	137
	(1) New system advocated	138
	5. The Trend of Separation in Other States	138
	6. West Virginia and Separation	140
VII	Classification of Property for Taxtion	141
	1. General Considerations	141
	a. State constitutions and classification	141
	b. Types of classification	141
	c. Taxation of intangibles under the general property tax	142
	(1) Classes of intangibles	143
	(2) Mortgages	144
	(3) Corporation stocks and bonds	148
	(4) Summary of discussion	151
	2. Experiences of Various States	152
	a. Minnesota's system	152
	(1) The tax on iron ore	153
	(2) Comparison with severance taxes of various states	154
	(3) Household furnishings	157
	(4) Apparent discrimination in favor of rural districts	157
	(5) Why Minnesota adopted general classification	158
	(6) Three mill tax on money and credits	159
	(7) Mortgage registry tax	160
	b. Montana	161
	c. Virginia	162
	d. Kentucky	163
	e. Other states	164
	3. General Conclusions	167
	West Virginia and classification	168

Chapter		Page
VIII	Centralized Supervision of Administration	170
	1. Development of Centralized Control of Assessment	170
	a. Local boards of review	170
	b. State boards of review	170
	c. Permanent state tax commissions	171
	2. Local Assessment	173
	a. Importance	173
	b. Work of the local assessor	174
	(1) Qualifications of assessors	174
	(2) Standardization	175
	3. Experience in Some Other States	176
	a. Wisconsin	179
	(1) Instructions to assessors	180
	(2) Supervision	182
	(3) State assessment, review, reassessment	184
	b. Minnesota	185
	c. Michigan	188
	d. New York	190
	(1) Debt and tax limitations	192
	e. Massachusetts	193
	f. Maryland	195
	4. General Conclusions on Tax Reform	195
	a. Results from separation of sources	195
	b. Results from classification	196
	c. Need of state supervision over local administration	196
	d. Changes needed in West Virginia	197
IX	Sales Taxes	198
	1. General Considerations	198
	a. Definitions of various sales and similar taxes	198
	b. Present importance of sales taxes	200
	2. West Virginia Sales Taxes	201
	a. Classifications	201
	b. Collections before and after revision of law	201
	c. Rates of sales taxes	202
	d. Cost of collection	203
	3. Experiences in Other States and Countries	204
	4. Consumption Excise Taxes of Various States	204
	5. Severance Taxes	210
	a. Arkansas' severance tax	210
	b. Minnesota's occupation tax—Constitutional questions	211
	6. Economic Effects of Sales Taxes	213
	a. Effect of tax imposed by national governments	213
	(1) Incidence	214
	(a) Effect of inelastic demand	214

Chapter		Page
	(b) Effect of elastic demand	214
	(c) Effect of monopoly control	215
	(d) Regressive nature of general sales taxes	217
	(e) Exceptions, apparent or real	219
	Effect of standard prices	219
	Effect of fixed capital investments	219
	(f) Multiple sales taxes	219
	(2) Effect on integrated business	220
	(3) Profit and capital ratios vary	221
	b. Effect of sales tax imposed by a state	221
	(1) Retail merchants	222
	(2) Wholesale merchants and manufacturers	223
	(3) Extractive industries	223
	7. Situation in West Virginia	223
	a. Complications in coal industry	224
	b. Classification of rates	224
	c. Trends in collections	225
	d. Effects of limitations on taxing interstate commerce	227
	e. Relations between gross sales, gross income and net income tax rates	228
	8. Special Taxation	229
	a. Public utilities	229
	b. Extractive industries	229
	c. Unearned increment of land	230
	9. Summary	232
	a. Advantages of gross sales tax	232
	b. Arguments against gross sales tax	233
	Appendix to Chapter IX (Tables)	234
X	State Income Taxes	243
	1. Growth of Income Tax Movement	243
	a. Federal	243
	b. State	243
	(1) Motives leading to adoption	246
	2. Chief Features of State Income Taxes	246
	a. Definition of income	246
	b. Taxes on individuals and corporations	247
	c. Personal exemptions	249
	d. Rates in different states	250
	3. Administration	257
	a. Importance of administration	257
	(1) Example of Wisconsin	258
	(2) Methods used in other states	258
	b. Cost of administration	261
	c. Distribution of proceeds	263
	4. Conclusions	265
	a. Strength and weakness of the tax	265

CHAPTER		PAGE
	5. What West Virginia Could Expect from an Income Tax	268
	a. Probable yield	269
	b. Desirability of state referendum	269
	6. Gross Sales versus Net Income Tax for West Virginia	269
	Appendix to Chapter X (Tables)	273
XI	INHERITANCE AND ESTATE TAXES	
	1. Development of the Inheritance Tax	292
	a. Need for additional revenue	292
	b. Federal inheritance and estate taxes	292
	c. State inheritance and estate taxes	293
	d. West Virginia legislation, 1887-1930	295
	2. Justification for the Tax	297
	a. Social arguments	297
	b. Fiscal arguments	298
	3. Objections to the Tax	299
	4. Insurance, Treatment of	300
	5. Inheritance Taxes Compared with Estate Taxes	
	a. Advantages and disadvantages of each	301
	6. Experiences of Various States	302
	7. Experience of West Virginia	302
	8. Reciprocity and Recent Court Decisions	304
	9. Federal Estate Tax Credit	306
	a. Purpose	306
	b. Possibility of gain to West Virginia	306
	10. Discussion and Suggestions for West Virginia	
	a. Rates	306
	b. Exemptions	306
	c. Administration	307
	d. Summary	308
	Appendix to Chapter XI (Tables of Rates, Exemptions, Yields, etc.)	309
XII	GASOLINE AND MOTOR VEHICLE TAXES	
	1. Proper Bases of Motor Vehicle Taxation	319
	a. Major factors to be considered	319
	(1) Weight of vehicle and load	319
	(2) Mileage traveled	320
	(3) Type of tires	320
	(4) Property taxes on motor vehicles	323
	b. How West Virginia meets the tests of the United States Bureau of Standards	323
	c. Assessors omit half of automobiles	324
	d. Effects of changing registration date	324
	2. Gasoline Taxes	325
	a. Development of gasoline tax in the United States	326

CHAPTER		PAGE
	b. Merits of a gasoline tax	328
	c. Gasoline tax in West Virginia	328
	d. Factors determining gasoline consumption	332
	(1) Number of motor vehicles	334
	(2) Improved roads	334
	(3) Business depression	334
	(4) Weather	334
	(5) Urban population	336
	(6) West Virginia situation	340
	e. Use of gasoline taxes for miscellaneous purposes	340
	f. Gasoline taxes levied by cities and counties	341
	g. Cost of administration	344
	3. Motor Vehicle Registration Taxes	349
	a. Work of the automobile bureau	349
	b. Registration Fees in West Virginia as compared with other states	349
	(1) Fees for Class A motor vehicles	350
	(2) Fees for Class B motor vehicles	351
	(3) Vehicles operated under permits of conveniences	354
	(a) Busses	354
	(b) Truck lines	355
	c. Summary of comparisons	355
	d. Registrations and administrative costs	357
	e. Distribution of receipts	358
	f. Local and centralized registration	362
	(1) Arguments for and against	362
	(2) Method of distribution in other states	363
	4. Bond Issues and the State Road Program	365
	a. Constitutional amendments authorizing bond issues	365
	b. Legislative acts authorizing bond issues	366
	(1) County aid	367
	c. Bond issues voted by the Legislature	368
	d. Constitutional amendment, 1928	370
	e. When are bond issues justifiable?	371
	f. How long should bonds run?	372
	g. Costs of construction	374
	h. Pay-as-you-go policy	374
	i. Relative importance of main and local roads	375
	(1) What roads should be paved?	376
	(2) Traffic as related to justifiable construction costs	377
	j. Maintenance	379
	Appendix to Chapter XII (Tables)	382

Chapter		Page
XIII	Taxation of Forests in West Virginia	
	1. Ad Valorem System of Taxing Forests	391
	a. Effect on reforestation	391
	2. West Virginia's Forest Industries	392
	a. Extent and importance	392
	3. Formulation of a Forest Taxation Policy	394
	a. Desirability of yield basis	394
	b. Length of time required to grow timber	396
	(1) Comparative effects of property and yield taxes	397
	4. Existing Forest Taxes in Other States	399
	5. Determination of Rate of Yield Tax	400
	a. Relation to general property tax	400
	b. Revenue for forest communities	400
	c. Safeguards against speculation	401
	6. Summary	402
	Appendix to Chapter XIII—Summary of Laws in Other States	404
XIV	General Appenidx	411
	General Index	443

LIST OF CHARTS

(The Roman numeral at the beginning of the table number indicates the chapter in which the table appears)

Chart		Page
I–1.	Relation Between Assessed Valuations and Sale Prices of Farms—Most Valuable Properties Showing Most Under-assessment (Scatter Diagrams)	12
I–2.	Relation Between Assessed Valuations and Sale Prices of Urban Lots, Improved and Unimproved—Correlation Between Prices and Under-assessment (Scatter Diagram)	13
I–3.	Total, All Classes of Real Estate—Summary by Groups According to Ratios of Assessed Valuations to Sale Prices (Bar Chart)	15
I–4.	Farms, Summary by Groups According to Ratios of Assessed Valuations to Sale Prices (Bar Chart)	16
I–5.	Tracts, Summary by Groups According to Ratios of Assessed Valuations to Sale Prices (Bar Chart)	17
I–6.	Urban Lots, Improved and Unimproved, Summary by Groups According to Ratios of Assessed Valuations to Sale Prices (Bar Chart)	18
V–1.	Farms, Ratios of Assessed Values to Sale Prices (Curve and Area Chart)	118
V–2.	Tracts, Ratios of Assessed Values to Sale Prices (Curve and Area Chart)	120
V–3.	Urban Lots, Improved and Unimproved, Ratios of Assessed Values to Sale Prices (Curve and Area Chart)	121
V–4.	Summary, All Classes of Real Estate, Ratios of Assessed Values to Sale Prices (Curve and Area Chart)	122
X–1.	Personal Exemptions, State Income Taxes, State Comparisons	248
X–2.	Minimum and Maximum Rates, Individual Incomes, State Comparisons	252
X–3.	Comparison of Personal Income Taxes Payable in Different States by a Single Person and by a Family of Four, Incomes of $3,000 and $5,000	254
X–4.	Comparison of Personal Income Taxes Payable in Different States by a Single Person and by a Family of Four, on Incomes of $10,000 and $25,000	255

CHART		PAGE
X–5.	Comparison of Personal Income Taxes Payable in Different States by a Single Person and a Family of Four, on Incomes of $50,000 and $100,000	256
X–6.	State Income Tax Collections Compared with Federal	259
X–7.	Growth of State Income Tax Collections, State Comparisons	262
X–8.	Per Capita Income Tax Collections, State Comparisons	264
XII–1.	Receipts by years from Motor Vehicle Tax as Compared with those from Gasoline Tax	333
XII–2.	Motor Vehicles Registered by Years as Compared with Gallons of Gasoline Taxed	335
XII–3.	Maximum Expenditure Allowable per Mile, Based on Saving per Vehicle Mile	378

MAPS

	Map of Coal Fields of West Virginia, Showing Locations of Mines Studied	77
	Map of United States, Showing Income Tax States	244

LIST OF TABLES

(The Roman numeral at the beginning of the table number indicates the chapter in which the table appears)

TABLE		PAGE
I– 1.	West Virginia State Revenues (Condensed Summary)	3
I– 2.	West Virginia Local Revenues (Condensed Summary)	4
I– 3.	Largest Sources of State and Loval Revenues (Condensed Summary)	5
I– 4.	State and Local Finances—Bird's Eye View	6
I– 5.	Largest State Expenditures, 1929	7
I– 6.	Plant Equipment Valuations Compared—Coal Mines	8
I– 7.	Ratio Between Assessed and Appraised Values of Coal Properties Studied	10
III– 1.	State Fund—General Revenue	37
III– 2.	State Fund—Special Revenue	38
III– 3.	General School Fund	38
III– 4.	Sources of Local Revenue	40
III– 5.	Growth of Local Revenue from Direct Taxes on Property	41
III– 6.	Local Direct Levies on Real and Personal Property and Public Utilities	42
III– 7.	State Expenditures, 1915-1930	44
III– 8.	Outstanding Bonded Indebtedness—Local and State, 1910-1930	46
III– 9.	Estimated Total Income of the People by States, 1925-1929	48
III–10.	Estimated Per Capita Income of the People by States, 1925-1929	49
III–11.	State and Local Taxes in Relation to Income of the People	52
III–12.	Per Capita State Government Expenditures	52
III–13.	Per Capita Expenses of State Governments, 1927	53
III–14.	Per Capita Expenditures, West Virginia, 1915-1930	54
III–15.	Average Per Capita Net Indebtedness of State Governments	55
III–16.	Combined State and Local Bonded Indebtedness, Per Capita	55
III–17.	Ratio of Combined State and Local Bonded Debt to Wealth	56
IV– 1.	Return of Tangible Property, Mine A	67
IV– 2.	Return of Tangible Property, Mine B	68

TABLE		PAGE
IV- 3.	Plant Equipment Valuations Compared, Mines 1-9	70
IV- 4.	Standards for Assessing Personal Property in Each County	71
IV- 5.	Smokeless Coals—Coal Values and Area	74
IV- 6.	Domestic Fuel, Steam Coking and By-Product Coals—Coal Values and Area	74
IV- 7.	Splint Coals—Coal Values and Area	75
IV- 8.	Summary of Plant Equipment, Mine No. 1	79
IV- 9.	Summary of Plant Equipment, Mine No. 2	81
IV-10.	Summary of Plant Equipment, Mine No. 3	83
IV-11.	Summary of Plant Equipment, Mine No. 4	85
IV-12.	Summary of Plant Equipment, Mine No. 5	87
IV-13.	Summary of Plant Equipment, Mine No. 6	89
IV-14.	Summary of Plant Equipment, Mine No. 7	91
IV-15.	Summary of Plant Equipment, Mine No. 8	93
IV-16.	Comparison of Appraised and Assessed Values of Real Estate, Mine No. 9	95
IV-17.	Summary of Personal Property, Mine No. 9	96
IV-18.	Ratios of Assessed to Appraised Values of Properties Studied (Mines 1-9)	98
IV-19.	Appraisal of Real Estate and Personal Property, Gilbert-Davis Coal Company	102
V- 1.	Relation of Assessed Values to Sale Prices—Farms (Samples)	111
V- 2.	Relation of Assessed Values to Sale Prices—Urban Lots (Samples)	112
V- 3.	Relation of Assessed Values to Sale Prices—Tracts (Samples)	112
V- 4.	Relation of Assessed Values to Sale Prices—Coal and Timber Land	113
V- 5.	Real Estate Assessments Compared with Sale Prices—Range of Variations and Averages	113
V- 6.	Ratios of Real Estate Assessments to Sale Prices by Counties—All Classes of Real Estate Combined	114
V- 7.	Farms—Grouped According to Percentages of Assessed Values to Sale Prices	116
V- 8.	Tracts—Grouped According to Percentages of Assessed Values to Sales Prices	123
V- 9.	Urban Lots, Improved and Unimproved. Summary by Groups According to Percentages of Assessed Values to Sale Prices	123
V-10.	All Classes of Real Estate. Summary by Groups According to Percentage of Assessed Values to Sale Prices	124
V-11.	Farms Grouped According to Sale Price Per Farm. Relation of Assessed Valuations to Sale Prices (1929)	127

TABLE		PAGE
V-12.	Lots, Improved and Unimproved, Grouped According to Sale Prices. Relation of Assessed Valuations to Sale Prices (1929)	128
V-13.	Tracts Grouped According to Sale Prices. Relation of Assessed Valuations to Sale Prices (1929)	128
VII- 1.	Low Rate Taxation of Intangibles in Sixteen States	165
VII- 2.	Percent of Increase in Assessments of Intangibles Under Classification Systems	166
IX- 1.	Collections from Gross Sales Tax, West Virginia 1923-24	201
IX- 2.	Rates of Gross Sales Tax, West Virginia, Acts of 1921 and 1925	202
IX- 3.	Annual Collections and Cost of Collections, Gross Sales Tax, West Virginia	203
IX- 4.	Georgia Gross Sales Tax, 1929	204
IX- 5.	Kentucky Gross Sales Tax, 1930	205
IX- 6.	Consumption Excises by States	208
IX- 7.	South Carolina Sales Tax Receipts, 1928-29	210
IX- 8.	Relation Between Net and Gross Income in Different Classes of Industries in the United States and West Virginia, 1925-1927	222
IX- 9.	Gross Sales License Tax—Steam Railroads, 1928 Interstate Exemptions Reported	226
IX-10.	Yields of Gross Sales Tax, West Virginia, by Industries and Years, Summary	234
IX-11.	Interstate Steam Railroads, Gross Income Allocated to West Virginia, 1928	237
IX-12.	Interstate Bridge Companies, Gross Income Allocated to West Virginia	238
IX-13.	Comparison of Total Receipts and Net Incomes of Corporations, United States and West Virginia, 1925, 1926, 1927	239
IX-14.	Relation of Gross Income and Net Income to Gross Sales for West Virginia Corporations, 1924-1927	240
IX-15.	Gross Earnings Tax Rates in Different States	242
X- 1.	Rates and Exemptions—Personal Income Tax (State)	250
X- 2.	State Income Tax—Cost of Administration, Individual and Corporation	263
X- 3.	Personal Income Tax (State) Due from a Single Person (1930)—Comparison of Various States	273
X- 4.	Personal Income Tax (State) Due from a Man, Wife and Two Dependents (1930)—Comparison of Various States	274

TABLE		PAGE
X- 5.	State Income Tax Collections—Individuals (1925-1930)	274
X- 6.	State Income Tax Collections—Corporations (1925-1930)	275
X- 7.	State Income Tax Collections—Total Individual and Corporation (1925-1930)	275
X- 8.	State Income Tax in Relation to Total Revenue	276
X- 9.	Ratio of State Income Taxes Collected to Income of People of the State	276
X-10.	State Income Tax—Per Capita Collections—Individuals	277
X-11.	State Income Tax, Per Capita Collections—Corporations	277
X-12.	State Income Tax, Per Capita Collections—Individual and Corporation	278
X-13.	Income Tax Yields, Federal and State Compared, 1927	278
X-14.	Income Tax Yields, Federal and State Compared, 1928	279
X-15.	Federal Income Tax Collections, Individuals, 1921-1930	280
X-16.	Federal Income Tax Collections, Corporations, 1921-1930	281
X-17.	Federal Income Tax Collections, Per Capita, Individuals, 1921-1930	282
X-18.	Federal Income Tax Collections, Per Capita, Corporations, 1921-1930	283
X-19.	Federal Income Tax, Per Capita Collections, Individual and Corporation, 1921-1930	284
X-20.	State Income Tax Laws, Summarized Individual Incomes	285
X-21.	State Income Tax Laws, Summarized Corporate Incomes	289
XI- 1.	West Virginia's Inheritance Tax Yields and Costs	304
XI- 2.	Inheritance and Estate Taxation in the Different States	309
XI- 3.	State Inheritance Tax Exemptions, Widows	311
XI- 4.	State Inheritance Tax Exemptions. Minor Children	311
XI- 5.	State Inheritance Tax Rates	312
XI- 6.	Amount of State Inheritance and Estate Taxes on an Estate of $50,000 Net—Comparisons Between States	313

TABLE		PAGE
XI- 7.	Amount of State Inheritance and Estate Taxes on an Estate of $200,000 Net—Comparisons Between States	313
XI- 8.	Amount of State Inheritance and Estate Taxes on an Estate of $1,000,000 Net—Comparisons Between States	314
XI- 9.	Amount of State Inheritance and Estate Taxes on an Estate of $10,000,000 Net—Comparisons Between States	314
XI-10.	Federal Taxation of Estates, Showing 80% Credits for State Taxes	315
XI-11.	State Inheritance and Estate Tax Collections, 1925-1930	316
XI-12.	Inheritance Tax Collections Compared with Total State and Local Taxes	317
XI-13.	Cost of Administration—State Inheritance Taxes	318
XII- 1.	Average Motor Vehicle Tax in the United States, 1929	322
XII- 2.	Gasoline Tax Rates by States, 1919-1930	327
XII- 3.	Increase in Net Gallons of Gasoline Taxed in West Virginia	330
XII- 4.	Number of Gallons of Gasoline Taxed in Various States, 1929	338
XII- 5.	What the Various States Do with Gasoline Tax Receipts	342
XII- 6.	Gasoline Taxes, 1929, All States	346
XII- 7.	What It Costs to Collect the Gasoline Tax and How It Is Collected, 1929	348
XII- 8.	Methods by Which Motor Vehicle Registration Fees Are Computed in the Various States	352
XII- 9.	Motor Vehicle Registrations, Receipts and Administrative Costs, West Virginia	357
XII-10.	Motor Vehicle Registration Fees, All States, 1929	360
XII-11.	West Virginia State Road Commission Construction Cost	374
XII-12.	Traffic as Related to Justifiable Construction Costs	377
XII-13.	West Virginia State Road Construction Maintenance Cost, 1929	379
XII-14.	Maintenance Costs of the Various States, 1929	381
XII-15.	Federal Aid Apportioned to West Virginia	382
XII-16.	West Virginia Road System as of June 30, 1930	382
XII-17.	State Highway Bonds Issued	383
XII-18.	State Highway Income Available, 1929	384

LIST OF TABLES

Table		Page
XII–20.	State Highway Systems, Existing Mileage at End of 1929	388
XII–19.	State Highway Disbursements, 1929	386
XII–21.	Local Road Mileage Existing at End of 1929	389
XII–22.	Relationship Between State Government and Local Governments and State Highways	390
XIII– 1.	Manufactures of Forest Products in West Virginia	393
XIII– 2.	Rate of Growth of Timber	396
XIII– 3.	Classification of Forest Tax Laws	404
XIII– 4.	Selected Provisions of State Forest Laws	405

GENERAL APPENDIX

(The Roman numeral at the beginning of the table number indicates the chapter in which the table appears)

Table		Page
XIV– 1.	Assessed Valuation of Real Estate, Personal Property and Public Utility Property, 1929, 1930, Summarized	413
XIV– 2.	Assessed Valuation of Real, Personal and Public Utility Property, 1867, 1930	415
XIV– 3.	Assessed Valuation of Real, Personal and Public Utility Property by Counties, 1929, 1930	416
XIV– 4.	Total Taxes, State, County, District, School, and Municipal, 1928	420
XIV– 5.	Total Taxes, State, County, District, School, and Municipal, 1929	421
XIV– 6.	Number of Autos and Trucks in Each County, 1929, Compared with the Number Assessed	422
XIV– 7.	Average Rate of Levy on Each $100 Assessed Valuation for State, County, and District	423
XIV– 8.	Assessment of Personal Property, 1929	424
XIV– 9.	Assessed Values and Tax Levies by Jurisdictions and Purposes, 1928, 1929	428
XIV–10.	Frequency Distribution of Ratios of Assessed to Market Value 1020 North Carolina Farms	431
XIV–11.	Summary Tax Data: Per Capita Taxes and Rates of Tax Levies	431
XIV–12.	Gross Sales Tax Receipts, by Classes, 1921-1925	432
XIV–13.	Gross Sales Tax Receipts, by Classes, 1925-1930	437
XIV–14.	State Sales Tax Collections—Miscellaneous Recent Reports	442

LETTER OF TRANSMITTAL

December 27, 1930.

To His Excellency, WILLIAM G. CONLEY,
Governor of West Virginia.

SIR:

I have the honor to submit the accompanying REPORT ON TAXATION IN WEST VIRGINIA which you authorized me to make.

SCOPE OF REPORT

Each important State and local tax has been considered in some detail, strong and weak features have been pointed out, experiences of other states have been reviewed and suggestions for improvement have been made. Especial attention has been paid to the administration of the property tax.

In order to accommodate the majority who will not have time to read this report in full, the summary has been made a little fuller than usual with respect to most important issues and very brief with respect to others.

Because of quite limited time and funds, it has been necessary to omit the investigation of some matters that need serious study. This was understood in the beginning, however, and the attempt has been made to concentrate available means where they would count most rather than scatter them "all over the map."

ACKNOWLEDGMENTS

It is a pleasure to acknowledge the indebtedness due to the many members of the State Administration, also to many others who have assisted in the making of this study.

The unusually free hand which you yourself have given me, and the readiness of your Secretaries, Mr. Legg and Captain Estill, to put themselves at my service when needed have been greatly appreciated. The members of the Board of Public Works as well as various members of their staffs have responded most cordially to various requests for information.

I value especially the cordiality of State Tax Commissioner T. C. Townsend, his frank and helpful discussions, and the assistance which he has given through his staff. The assistance of Mr. E. A.

Dover, Chief Accountant, has been invaluable and most generous. He has given counsel throughout, besides furnishing most of the data in this report relative to West Virginia finances, State and local.

I want to express my thanks also for the cooperation of County Assessors, Clerks of the County Courts, members of County Boards of Equalization, former Tax Commissioners, and other officials and private citizens, including the representatives of various coal companies. Tax Commissioners and various officials of other states, also, went to considerable trouble to furnish much of the information used concerning laws and experiences in their respective states.

I am indebted also to several graduate students of public finance at the University of Minnesota, particularly to Miss Violet Johnson and Mr. Glen R. Treanor.

While expressing appreciation of contributions to this REPORT, it is only fair to absolve the contributors from responsibility for additions and subtractions which it has seemed best to make.

Respectfully,

ROY G. BLAKEY.

University of Minnesota
School of Business Administration.

Chapter I

RECOMMENDATIONS AND SUMMARY

Recommendations

THE FIRST and most important recommendation is for a thorough-going reform of the administration of the property tax along lines sketched in this summary and amplified in the main body of the Report, particularly in Chapters IV, V, VII, and VIII. This tax is several times as important as all other West Virginia taxes combined. The situation appears ripe for unusual effort, unusual leadership, and unusual results.

Brief Summary of Recommendations

1. *Property Tax*
   a. The administration of the general property tax through which three-fourths of all West Virginia's state and local taxes are raised, is very antiquated, inefficient, and inequitable.
   b. It is recommended that there be a thorough reassessment of all property in the State somewhat along the lines of the reassessment under Governor Dawson a quarter of a century ago.
   c. In order to maintain and improve a good assessment base once established, it is recommended that the Tax Commissioner (or a tax commission) be given ample authority, funds, and moral support to maintain adequate supervision over all assessments and equalization.
   d. Because laws without the backing of public opinion are impossible of effective enforcement and, in order to make the carrying out of the above recommendations most successful, it is recommended that the people of the State be thoroughly informed of the facts of the present situation, of its significance to them and to the future of the State. This campaign of education should enlist the hearty and active support of the ablest, most public spirited, and most forceful leaders in the State. It should begin at once and be carried on expertly and intensively at least until the reassessment is well along toward completion.
   e. The putting of the property tax upon a sound and equitable base is the most important task now before the State. It is true that other important state taxes need changing, but most can be accomplished at this time by concentrat-

ing all attention and all energies upon the one big task and by refusing to be distracted by lesser matters, however meritorious they may be. After the successful achievement of the main undertaking is assured, then, but not until then, will it be wise to take up other important reforms.

It is recommended that the following be considered when the time is opportune:

2. *Classification*

   Constitutional amendment providing for low rate, or income, taxation of intangibles, and for special treatment of growing timber.

3. *Sales, Excise, Income Taxes*

   In place of the general sales tax, an excise tax upon all occupations, measured by net income, with rates high enough to result in no substantial decrease in revenue. Later a modern general income tax should be considered.

4. *Inheritance and Estate Taxes*

   The increase of the inheritance tax rates upon the larger legacies going to remote relatives and strangers up to a maximum rate of 20%; the continuance of existing exemptions rather than their increase as in the new Code of 1931.

5. *Gasoline Tax*

   The increase of the gasoline tax from four to five cents per gallon.

6. *Model Tax System*

   The enacting of future tax legislation in West Virginia in the *general direction of* the National Tax Association's "Model System of State and Local Taxation" in so far as suitable to the situation in this State.

Summary

Main Features of State and Local Finances

In order to get our bearings for the discussion which is to follow, it may be well to review briefly the present situation with respect to state and local finances in West Virginia. After that we can consider the problems of desirable improvements.

The accompanying tables (Nos. I—1 to 5) give condensed outlines of West Virginia's chief revenues and expenditures, both state and local.

It will be seen that the gasoline tax and the automobile license taxes and fees have grown so much that the State Road Fund now

exceeds the General Revenue Fund (Table I—1). Compared with these two funds the other three are relatively small, forming together only about one-sixth of the total for the State. The Special Revenue Fund is of a rather different character from the others in that it consists largely of fees and earnings of State schools and other institutions, and it is mostly reappropriated toward the expenses of the institutions earning them.

Table I—1: West Virginia State Revenues (1930)

(Condensed Summary)

1. *General Revenue Fund:*		
State Direct Property Tax (10 cents)*a*	$1,950,000	
State License on Corporation Charters	1,100,000	
Inheritance Tax	750,000	
Tax on Insurance and Certificates of Authority	825,000	
Gross Sales (License Tax)	3,700,000	
Fees, Auditor's Office	130,000	
Miscellaneous Fees and Taxes	119,000	
Total		$8,574,000
2. *Special Revenue Fund:*		
Pay Patients, Including Collections from Counties	$ 510,000	
Sundry Sales, State Institutions	101,000	
Prison Labor	340,000	
Game & Fish Commission, Hunters' Licenses	200,000	
Fees, Board & Dormitories, State Schools	965,000	
Other Fees and Collections	302,000	
Total		$2,418,000
3. *General School Fund:*		
State Capitation Tax	$ 300,000	
General License Taxes	375,000	
Interest on Deposits	175,000	
Miscellaneous Fees, Taxes, Etc	272,000	
Total		$1,122,000
4. *State Road Fund:*		
Automobile License Taxes and Fees	$4,600,000	
Gasoline Tax	5,400,000	
Total		$10,000,000
5. *Interest and Sinking Fund, (Virginia Debt):*		
State Direct Property Tax (4 cents)		$ 780,000
Total		$22,894,000

a—The capitol building levy, which amounts to about $1,000,000, is not included in the tables of comparison on account of its being a new levy limited to five years. That is, it is not a part of the State's regular financial program.

TABLE I—2: WEST VIRGINIA LOCAL REVENUES
(Condensed Summary)

Boards of Education (397)			
Direct Levy on Property (Fiscal year 1930)*a*:			
High School Teachers	$6,104,000		
High School Maintenance	2,028,000		
Elementary Teachers	11,435,000		
Elementary Maintenance	2,922,000		
New Buildings and Improvements	2,655,000		
School Bonds	1,649,000		
County High Schools, Etc.	304,000	$27,097,000	
State Aid (1929)*b*		2,164,000	$29,261,000
County Courts (55)			
Direct Levy on Property (Fiscal year, 1930)*a*:			
General County	$5,287,000		
County and District Roads	6,527,000		
County and District Road Bonds	4,104,000		
Other Purposes	729,000	$16,647,000	
Earnings of County Officers		500,000	
Road Capitations		300,000	
Interest on Daily Balances		335,000	$17,782,000
Municipal Bodies (210)			
Direct Levy on Property (Fiscal year 1930)*a*:			
General Municipal	$4,436,000		
Municipal Bonds	$1,482,000		
Other Purposes	508,000	$6,426,000	
Sundry License Taxes		250,000	
Capitation Taxes		150,000	
Fines		250,000	
Building Permits, Interest, Etc.		125,000	$7,201,000
Total			$54,244,000

a—Figures used for direct levy are gross; amount actually received would be less by discount and delinquencies.

b—This amount is included in State Revenues, also. It should, therefore, be deducted from the total to avoid double counting if State and local revenues are added for grand total.

TABLE I—3: LARGEST SOURCES OF STATE AND LOCAL REVENUES
(Condensed Summary)

	State	Local	Total
General Property Tax	$2,730,000	$50,170,000	$52,900,000
Gasoline Tax	5,400,000		5,400,000
Automobile License Taxes and Fees	4,600,000		4,600,000
Gross Sales Tax	3,700,000		3,700,000
Corporation Charter Licenses	1,100,000		1,100,000
Tax on Insurance and Certificates of Authority	825,000		825,000
Inheritance Tax	750,000		750,000
Capitation Taxes	300,000	450,000	750,000
Interest on Deposits (Part)	175,000	335,000	510,000
General License Taxes	375,000	..	375,000
State Fund—Special Revenue: Mostly earnings and fees of State Schools, Hospitals, Prisons, Reappropriated	2,418,000	..	2,418,000
Miscellaneous Licenses, Fees of State and County Officers, Etc.	521,000	1,125,000	1,646,000
Totals	$22,894,000	$52,080,000	$74,974,000
State Aid for Education	—2,164,000	+2,164,000	
Totals	$20,730,000	$54,244,000	

A glance at Table I—3 reveals that there is almost complete "segregation" or "separation" of State and local sources of revenue in West Virginia. Nearly all local revenues come from the direct levy on property and nearly all State revenues are derived from other taxes and fees. In fact, the State usually returns to the localities in the form of State Aid to Education the greater part of the general State levy. In 1929, the amount thus returned was greater than usual, being in excess of the State's entire property tax collections, excepting sums collected for the Virginia debt and the Capitol Building Fund. In other words, nearly all property taxes go to the localities and nearly all other taxes go to the State. If property taxes are high, it is because local expenditures are large.

Looked at in the large, State taxes are nearly $20,000,000 and local taxes something over $50,000,000. Besides taxes the State receives about $3,000,000 in fees and earnings of State schools and institutions—mostly reappropriated—and $1,700,000 Federal Aid; also proceeds of bond issues. In addition to their property tax receipts of $50,000,000, the localities get over $2,000,000 in fees, licenses, capitation taxes, etc., and also over $2,000,000 of State Aid.

Of the $20,000,000 of State taxes, half comes from the gasoline and automobile taxes and fees of the State Road Fund. The remainder, nearly $10,000,000, is made up principally of the gross sales tax, the property tax—including that for the Virginia debt—inheritance tax, capitation taxes, general license taxes, and license or other taxes on corporation charters and insurance.

TABLE I—4: STATE AND LOCAL FINANCE—BIRD'S EYE VIEW
(Figures are in Round Numbers)

State Receipts:		*State Expenditures:*	
Miscellaneous Taxes	$10,000,000	Roads	$15,500,000
Road Fund Taxes	10,000,000	Education	6,300,000
Total Taxes	$20,000,000	Miscellaneous	8,000,000
Miscellaneous Fees and Earnings	3,000,000		
Federal Aid	1,700,000		
Bonds, Road (more or less)	5,000,000		
Local Receipts:		*Local Expenditures:*	
Gen'l Property Tax	$50,000,000	Education	$29,000,000
Miscellaneous Fees, Taxes, etc	2,000,000	Roads	11,000,000
State Aid	2,000,000	Miscellaneous	14,000,000

Of the $70,000,000 state and local taxes referred to above, over three-fourths, $53,000,000, come from the general property tax, and less than one-fourth, $17,000,000, from other taxes. It is explained above that these latter figures disregard miscellaneous fees and re-appropriated earnings. If the State Road Fund were eliminated also, we would have a total of nearly $10,000,000 of miscellaneous state taxes and over $50,000,000 of local taxes, or a grand total of $60,000,000. Of this latter sum nearly nine-tenths is raised by taxes on property.

Only one other tax, namely, the gasoline tax, yields one-tenth as much as the property tax. The gross sales tax is, perhaps, the subject of more controversy than any other tax in the State. Though important, it is insignificant when compared with the property tax which yields nearly fifteen times as much.

The above brief survey indicates the directions that a general examination of West Virginia's tax situation will naturally take.

But before proceeding with taxes, it may be worth while to take a glance at the more important State and local expenditures.

It will be observed that more than half of the State's expenditures are for state roads (See Table I—5). A large fraction of the funds for this purpose have been coming from bond issues, though automobile and gas taxes are the largest state taxes and about equal to all other state taxes combined. About half of the State's ordinary expenditures, other than those for roads, are for education. The state appropriations for this purpose are far less than expenditures for roads but much more than for any other purpose.

TABLE I—5: LARGEST STATE EXPENDITURES (1929)[a]

State Road Commission:		
Bond Fund	$ 5,559,732[b]	
Other Funds	9,931,155	$15,490,887
Education	..	6,258,659
Hospitals and Children's Homes	..	1,934,766
Boys and Girls Industrial Schools and Schools for Deaf and Blind	..	313,615
Penitentiary, Criminal Charges, Courts and Law Library	..	826,179
Dept. of Public Safety and Militia	..	590,845
Elective Officers	..	416,782
Appointive Officers, Commissions and Boards	..	1,175,832
Legislatiure	..	302,318
Virginia Debt Payments	..	1,439,806
All other	..	966,389
Total	..	$29,716,078

a—Table I—2 gives a good general idea of most important *local* expenditures.
b—Includes Federal Aid. The expenditures for roads from this fund were much greater in each of the six preceding years, through somewhat less from tax revenues. Note that total includes proceeds of Road Bonds as well as Federal Aid, State Taxes, Fees and other receipts and, hence, is larger than the total of State Revenues given in Table I—1 on page 3.

Expenditures for education form over half of the total for the localities and almost half of the grand total of both state and local jurisdictions. (See Table I—2.) Expenditures for roads constitute almost a fourth of the total for localities, and over a third of the grand total for state and local expenditures. We thus see that about five-sixths of state and local expenditures in West Virginia are for education and roads, the other sixth going mostly for the general administrative expenses of state and county offices. Examination of Table I—5 will show that there are substantial amounts of this smaller fraction required for hospitals and chil-

TABLE I—6: PLANT EQUIPMENT VALUATIONS—COAL MINES

RATIOS OF ASSESSED VALUES TO APPRAISED VALUES

ITEM	Ratio — Assessed Value / Appraised Value —, in Percentages								
	Mine No. 1	Mine No. 2	Mine No. 3	Mine No. 4	Mine No. 5	Mine No. 6	Mine No. 7	Mine No. 8	Mine(a) No. 9
Tipples	85.7	25.6	..	40.0	29.6	17.3	..	..	..
Mine Locomotives	63.2	27.9	27.6	19.7	27.2	66.3	15.4	45.1	59.1
Mine Cars	111.1	93.9	60.9	44.4	100.0	57.0	13.8	62.5	33.7
Mining Machines	51.4	40.0	21.8	21.3	40.0	41.6	30.6	10.6	..
Sub-stations and Equipment	73.7	50.0	..	69.5	50.0	94.4	..	80.0	74.5
Steel Rails	225.0	138.3	50.0	13.9	67.5	62.1	10.4	50.0	7.9
Copper Wire	94.8	127.4	86.4	64.5	97.1	64.9	32.5	64.5	107.1
Pumps	51.1	5.1	24.5	66.0	20.2	46.9	..	33.0	36.7
Mules	114.3	75.0	50.0	35.6	..	50.0	..	..	153.8
Horses	..	..	60.0	..	..	..	40.0	..	200.0

a—Gilbert-Davis Coal Company.

dren's homes, the Virginia debt, the penitentiary and the courts, the Department of Public Safety and the militia.

As has been indicated above, the soundness of West Virginia's tax system depends largely upon the soundness of the property tax. This yields about three times as much as all other state and local taxes combined and about ten times as much as the next largest tax. Experience in other states and preliminary inquiry in West Virginia indicated that administration of this tax is very faulty in this State, so it was decided to make tests throughout the State.

ASSESSMENT OF COAL PROPERTIES[1]

Besides a general survey of the methods of assessing coal properties in all of the important coal counties, nine typical coal properties in various parts of the State were selected for special study (For locations, see map, page 77.)

It was found that only a few counties followed definite systems of assessing coal properties; in most of them the valuations are inexpert, haphazard, and very unequal. It is too much to expect locally elected assessors to be valuation engineers; they might be expected, however, to follow the law and require the companies to list the items of their property instead of lumping them as they do in many cases and they might be expected also to view the property and to check the values turned in oftener than they do. It is true that in some cases, they might not know much more after viewing than before.

The accompanying table (No. I—6) shows the discrepancies in the ratios of assessed to appraised values of various items of plant equipment in the different mines that were examined. The appraisals of the first eight mines were all made by the same engineers, and they should be valid for comparative purposes, even if they err somewhat as regards absolute values. We note, on the basis of these figures, that there are chaotic variations in assessed valuations all the way from 5.1% to 225% of appraised values. Mine No. 7 shows the most omissions and the lowest average valuations while Mines Nos. 1, 2, and 9 show the greatest variations between different items. It seems inconceivable that the ratios for copper wire could vary from 32.5% to 127.4% and those for steel rails from 7.9% to 225%.

In most cases the assessed values of coal land approach much nearer to the appraised values than do those of improvements and

[1]See Chapter IV for details of methods and findings.

personal property. (See Table I—7.) In the case of Mine No. 8, there is very little difference, but in the cases of Mines Nos. 3 and 7, the ratios for real estate are nearly four times the ratios for improvements and personal property. The variations in valuations of both land and plant equipment in different parts of the State are also very noticeable.

TABLE I—7: RATIOS BETWEEN ASSESSED AND APPRAISED VALUES OF COAL PROPERTIES STUDIED

Mine No.	County	Per Cent of Assessed Value to Appraised Value	
		Real Estate	Improvements and Personal Property
1	McDowell	100.0	64.9
2	Mercer	100.0	40.0
3	Raleigh	130.0	35.7
4	Fayette	84.8 to 106.0	41.5
5	Logan	84.6	33.8
6	Boone	91.5	36.6
7	Monongalia	94.5	26.4
8	Marshall	59.1	57.5
(a) 9	Monongalia	50.3	35.2

a—Gilbert-Davis Coal Company.

If the tax rates were the same in all these counties, we could say that some coal lands pay two and a half times as much as others of the same value, and that five times as much is paid upon some land as upon equivalent value in the form of plant equipment. The variations in local tax rates must be taken into account, however, in interpreting Table I—7, though we have records of adjacent mines assessed by the same county assessor where the discrepancies are as great as those mentioned. This means that somebody is paying several times as much in taxes as some one else is paying upon equally valuable property.

Those interested in more detailed facts and recommendations should see Chapter IV. Sufficient has been presented in this summary, however, to indicate the very unsatisfactory and unjust situation, and to suggest the great need of more competent assessors who under better state supervision and the enforcement of the law would, in a great measure, correct this condition. These and other pertinent matters will be discussed at greater length after the consideration of other phases of property taxation, but it may be

pointed out here that tax commissioners in this and in other states have made excellent use of mining engineers, manuals, conferences, reassessments, and other aids and devices in establishing and maintaining good mining property valuations.

ASSESSMENT OF REAL ESTATE[1]

Representatives were sent into every county to ascertain the methods and efficiency of tax administration. Besides gathering other information, selling prices of real estate were compared with assessed valuations. About ten times as many cases were examined as were actually selected for comparison because it was not desired to include forced sales, "shoe-string" sales, sales between relatives, sales where the prices given were nominal, or others that did not represent fair values.

It is believed that the assessments of these properties are fairly indicative of the general situation. There are certain considerations, however, which should be noted. While the samples chosen represent a wide range of properties as to classes, sizes, and values, they appear to omit too great a proportion of the larger and more valuable properties. This is because the true consideration is more seldom given in deeds to the latter classes of properties, hence, most of them have to be omitted. A careful study of the cases chosen for comparison in this State and similar more extensive studies in other states show that there is a strong general tendency for small properties to be assessed relatively higher and with less inequality than is the case with larger and higher priced properties. The differences of this character in this State are very marked, though it is true that numerous exceptions are found. (See Charts I—1 and I—2.)

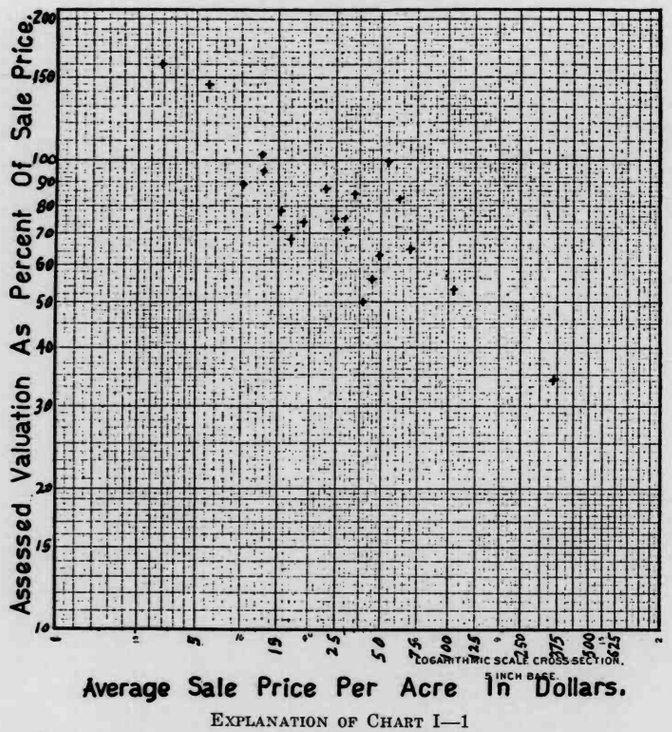
For the State as a whole, all farms compared were assessed at an average of 69.64% of their sale prices; urban lots, improved and unimproved, at an average of 64.39%, and tracts at 61.49% of their selling prices. The average for the 1,355 cases of all classes was 65.22%.

But averages are likely to be misleading because they conceal the irregularities which make taxes so inequitable. Two properties in the same county might be assessed at 40% and 160% of their respective values. The average would be perfect, 100%, but the taxes on one owner would be four times as heavy as those on the other.

[1]See Chapter V for details of methods and findings.

CHART I—1

RELATION BETWEEN ASSESSED VALUATIONS AND SALE PRICES OF WEST VIRGINIA FARMS

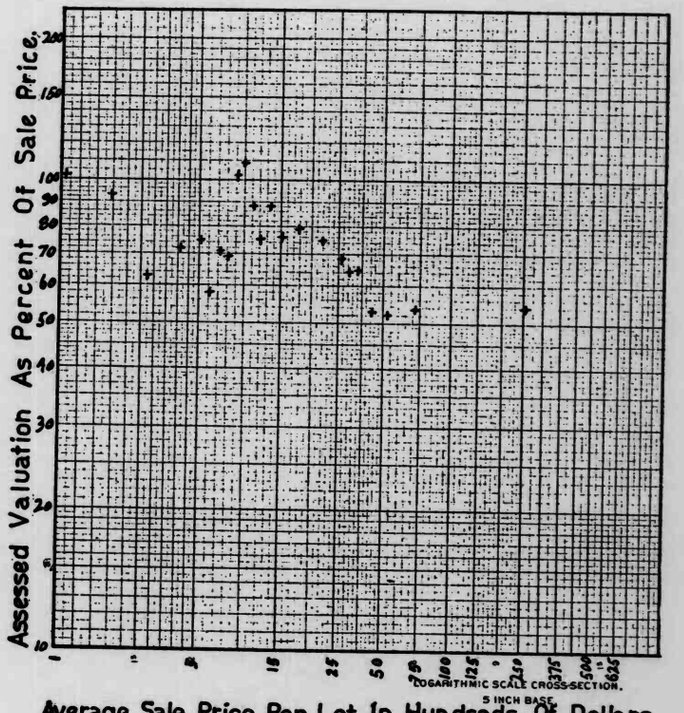


EXPLANATION OF CHART I—1

These charts indicate how the higher priced properties in West Virginia are generally underassessed to a greater degree than lower priced properties. Consider first Chart I—1 representing farms. Each cross mark represents the average of a group of farms. The higher the price per acre, the further is the cross mark to the right; the higher the percentage of assessment to sale price, the higher above the base line is the cross mark representing the group. The general trend downward to the right indicates the decline in percentage of assessed values to sale prices as the sale prices per acre increase. Uniformity in assessments would be represented by having all of the cross marks on the same horizontal line; that is, all would be on the 100% line, if all had been assessed at 100%, or all would be on the 70% horizontal if all had been assessed at that percentage. The scatter of these cross marks would have been much greater if each farm, instead of the average of each group, had been charted.

CHART I—2

RELATION BETWEEN ASSESSED VALUATIONS AND SALE PRICES OF WEST VIRGINIA LOTS, IMPROVED AND UNIMPROVED



EXPLANATION OF CHART I—2

Chart I—2 for urban lots (improved and unimproved) also shows a distinct downward trend to the right, but the trend is much less sharply downward than the trend shown in the chart for farms. It should be noted, however, that the two charts are not altogether comparable because prices for farms are prices per acre, whereas prices for lots are without reference to area, rather they are total sale prices. (See Table V—12, p. 128).

Worse inequalities than this exist in every county of the State. For example, assessed valuations of real estate examined in Ohio County varied from 17% to 220% of the prices for which the properties sold the same year. Variations found in Kanawha ran from 15% to 254%; in Cabell from 48% to 705%; in Harrison from 33% to 200%; in Pocahontas from 10% to 400%; in Taylor from 26% to 216%; in Wayne from 12% to 295%; in Wood from 8% to 166%; in Wyoming from 8% to 92%. These counties are taken more or less at random; they are not picked out as showing the worst extremes. In other counties, numerous cases were found where properties were assessed at percentages lower than any of the above and exceptional cases were found where others were assessed higher than any of the above, though not many higher than the 705% in Cabell County. (Table V—6, page 114.)

The examples given are, perhaps, sufficient to indicate the deplorable inequalities of assessment in this State. If a greater number are desired, they may be found cited in Chapter V.

Assuming that our 1,355 samples are representative—we have indicated why they probably minimize rather than exaggerate the disparities of the situation—an assessment of all properties as required by law would raise the average from 65% to 100% of selling

Explanation of Charts I—3, I—4, I—5, and I—6

Chart I—3 may give a better idea of the disbribution of all assessments compared with selling prices. The solid bars show what proportions of the total were assessed within the respective percentages of selling prices indicated by the scale at the left. If all of these properties had been assessed at 100%, the bars representing them would all go together to make up the cross-hatched bar "B" whose position in the vertical scale represents a 100% assessment and whose length represents all, or 100%, of the properties.[1] If all had been assessed at the average (65.22% of sale price), they would form bar "A."

But actually, the properties were not assessed uniformly at 100%, ("B"), nor even uniformly at the average ("A"), rather they were assessed "all over the map" with less than a third of the total anywhere near the average, with only a half within the range of 40% to 90%, and with about a fifth[2] beyond the range of 30% to 130%.

Charts I—4, I—5, I—6 show that the inequalities of assessments were greatest with respect to tracts, that is, larger proportions of the total were further removed from the average. The assessments of farms were not quite so bad as those of urban properties. (See pages 16-18.)

(These Charts are based on Tables V—7, V—8, V—9, and V—10.)

[1]Measured by sum of selling prices.
[2]A fourth of the number (25.22%) are beyond this range, though only a fifth (19.86%) of the total are beyond, counting by sum of selling prices.

Chart I—3

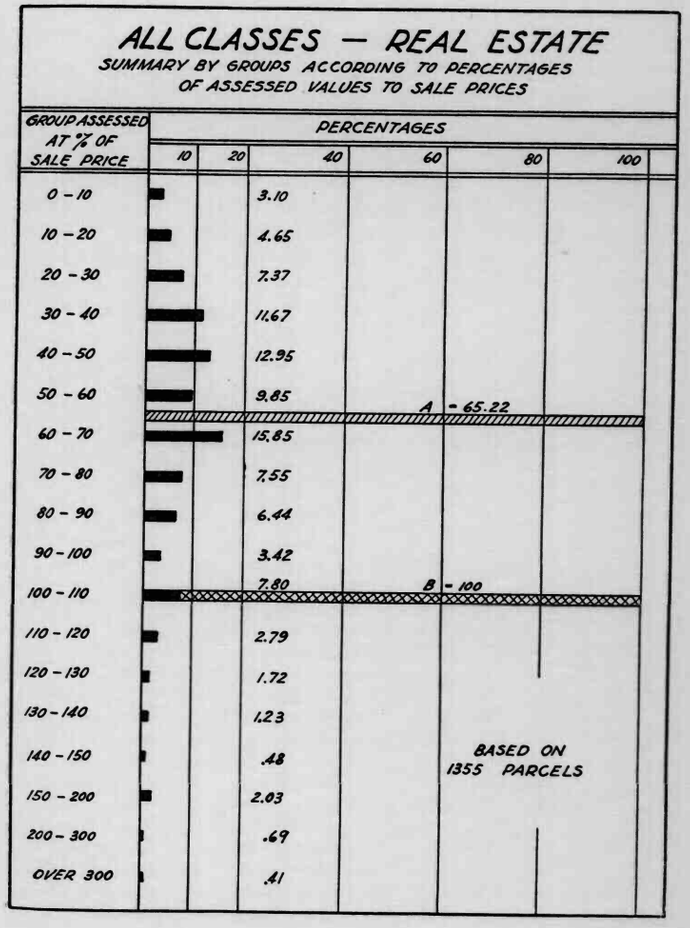


CHART I—4

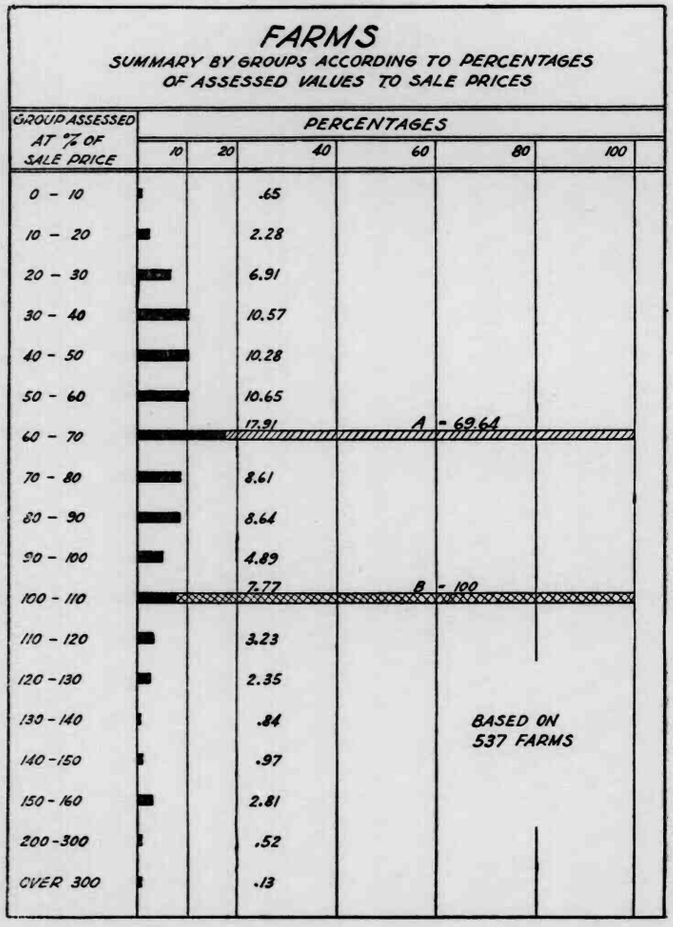


CHART I—5

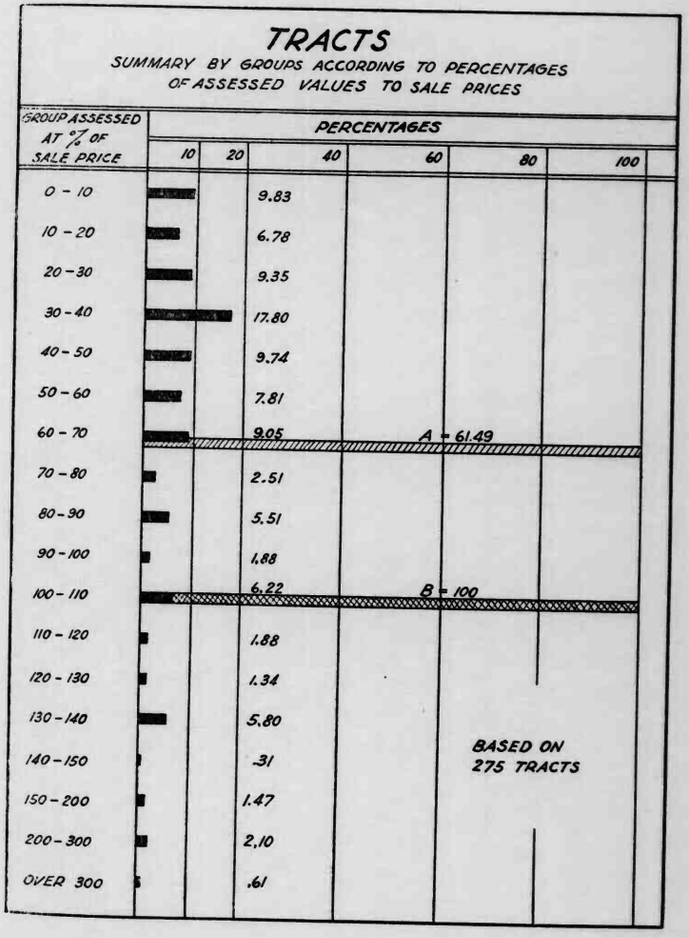
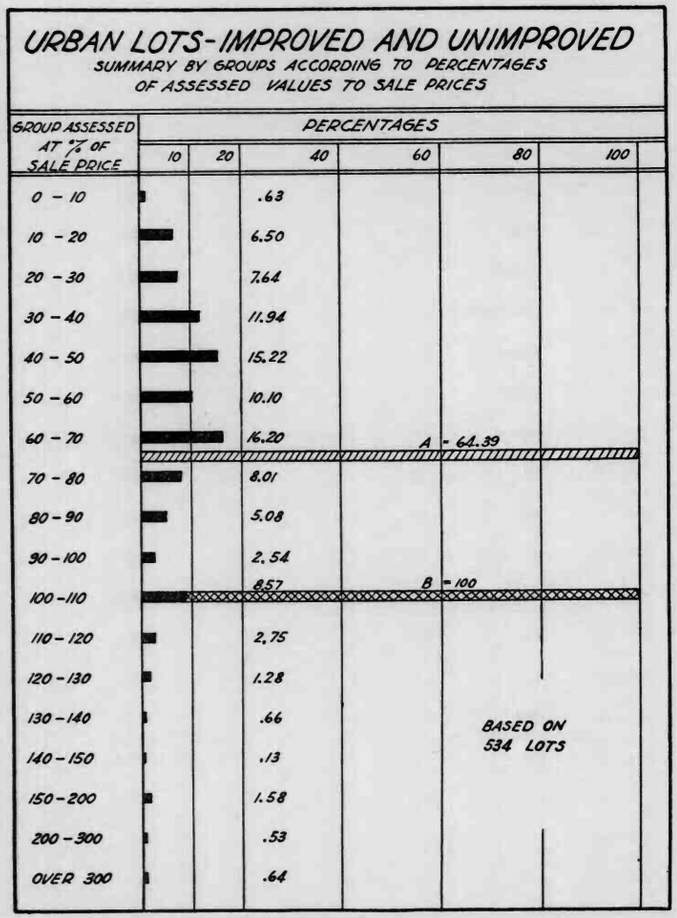


CHART I—6



prices. The greatest burdens, those on properties now greatly over assessed, would be alleviated; greatest inequalities would be removed; the tax base would be raised by more than half; and revenues from property taxes would be increased from about $53,000,000 to about $81,000,000, if rates of levy were left unchanged. If no increase in revenue were needed, average tax levies could be reduced from $2.65 to about $1.75 per $100. Or there could be an increase of $2,500,000 in revenue to take care of the deficit of $1,666,000 and a few other needs with a levy of about $1.85. Or if it were desired to remove only the worst inequalities, the following would be possible: We might leave undisturbed the assessments of all properties now assessed between 60% and 100% of their sale prices. This would still leave more inequality than is desirable but we could turn our attention to removing worse situations. If we should reduce the assessments of all properties valued at over 100%, bringing them down to 80% (the average of the 60%-100% group left undisturbed) we would reduce the total realty tax base by less than 14%. These reductions should relieve practically all of those with really serious tax grievances. Then, if all assessments between 0% and 60% of sale prices were raised to the same average, 80%, few taxpayers affected would have reasonable ground for complaint and the tax base would be raised by over 34%, more than offsetting the reduction in tax base caused by eliminating the over assessments.

That is, after these two adjustments, all realty would be assessed between 60% and 100% of selling prices—most of it from 60% to 80%—the greatest inequalities would be removed, the net increase in the tax base would be about 20% and the revenues therefrom would be increased by the same percentage, if rates of levy were left unchanged. If no increase in revenue were needed, tax levies could be reduced accordingly. But the law requires 100% assessment and there are many reasons why that is better than valuation at 80%, or at any other fraction of full value.

It should be remembered, of course, that the $2,000,000,000 tax base of the State and localities includes public utilities and personal property, as well as real estate. The public utilities are doubtless valued more uniformly than the real estate described above; on the other hand, personal property assessments appear to be more chaotic and at a lower average percentage of actual value.[1] It will be recalled, too, that our sample of 1,355 parcels of real estate

[1]See page 109, footnote reference to assessment of personal property.

omits many large properties whose sales prices could not be ascertained, so that the true average assessment for all real estate is probably considerably lower than 65.22% of fair value in normal times.

After making all due allowances, it is seen that efficient administration of the property tax would result in the removal of great inequalities, and at the same time make possible greater total revenues with less real burden upon practically all of those who now have reasonable grounds for claiming that their taxes are too heavy. In fact, an improvement in the property tax no larger than the one suggested would be equivalent to finding a new source of revenue that would yield much more than the present gross sales tax, while removing the bulk of the worst injustices in the present situation.

Supplementary Taxes

The principal methods of improving state and local tax systems have been through:

(1) The development of supplementary taxes to relieve property from carrying so much of the burden of government support, and
(2) Administrative remedies applied to the property tax itself.

The most important supplementary taxes in this State are the gross sales, inheritance, gasoline, and automobile license taxes. They are all quite important, but much less important than the property tax. They are all treated at some length in Chapters IX-XII. Adequate discussion here would not only repeat too much of what is contained in those chapters but might also divert attention too much from more important matters which precede and follow. So the remarks here about these supplementary taxes will be quite brief.

Gross Sales Taxes

This is, perhaps, the most discussed of all West Virginia taxes. It brings in substantial revenue, is relatively stable, is inexpensive to administer, has been adjudicated, is familiar to the public and should not be displaced unless a better substitute can be found. On the other hand, it is very inequitable and will probably become increasingly so if it is revised upward to meet larger demands upon the State.

Income and Excise Taxes as Alternatives

Of various important alternatives suggested, that of a state income tax is, perhaps, most often proposed. A proper income tax under efficient administration, would have important advantages over a gross sales tax. The difficulties of administration of such a tax in West Virginia would be serious, but probably not so serious as opponents of it generally claim. In view of all the circumstances, however, it would seem that an excise tax on occupations measured by net income would be a better alternative than a general net income tax, at least, to start with. It might be somewhat like, but still quite different from, the former West Virginia excise tax on corporations. It should, however, be framed and administered so as to yield much more revenue than did that tax. These and other considerations bearing upon the wisdom and expediency of advocating such an alternative to the gross sales tax at the present time are discussed more fully in Chapters IX and X.

Inheritance and Estate Taxes

In view of the fact that too frequent changes in the same tax law are to be avoided, one hesitates to recommend amendments so soon after the radical changes made in 1929. It appears, however, that the revision of that year went too far in certain directions. There should be more differentiation of rates between relatives and strangers, particularly with respect to the larger estates. Furthermore, the maximum rates on the larger estates, particularly on estates going to remote heirs, are now unduly low. If and when a general revision is thought best, these and other matters discussed in the main text of this report might well be considered.

Gasoline and Motor Vehicle Taxes

There are minor adjustments which might be made to improve these taxes in West Virginia, but in the main such taxes in this State are not greatly out of line with those in other states. The most important practical suggestion from a fiscal standpoint is that the State could very well increase the tax on gasoline from four cents to five cents a gallon. This should increase available funds by over $1,200,000 and thus speed up the road program. This is all the more desirable in view of the fact that most bonds authorized have already been used.

Attention may be called, also, to the outstanding economies recently obtained under a new law in North Carolina. Counties are given the option of using certain road funds themselves or of turning these funds over to the State Highway Department for the maintenance of local roads. The results in the counties that chose the latter option are very instructive as to the advantages of state supervision, as are some other facts discovered in a highway survey of that state.[1]

All of these supplementary taxes and others can be utilized and strengthened from time to time so as to prevent the tax on property from increasing so rapidly. Under certain conditions such taxes can actually help to reduce property taxes somewhat, but so far very few states have done more in this direction than to retard the increases. The greatest immediate practicable possibility of bringing tax relief to property owners in this State lies not so much in reducing the total amount raised as in the better adjustment of the burden. A soldier can carry a heavy load relatively easily if his knapsack is properly adjusted. The actual burden of carrying the stone to build Pharoah's pyramids did not depend upon the total weight alone but also upon how the several parts of the burden were adjusted to the abilities of the carriers.

We shall now turn to administrative remedies proposed for the betterment of the general property tax, and particularly to most effective remedies for removing the inequalities of present burdens.

Administrative Remedies

The most prominent administrative remedies advocated for improving the property tax during the past few decades have been the following:

1. Separation of Sources of State and Local Revenue.
2. Classification of Property.
3. Centralized Supervision of Administration.

Thirty years ago "separation" was hailed as the great cure for inequalities of property taxation. The vogue of "classification" came later and is still with us. Its relative importance is becoming somewhat lessened, however, by developments shown to be attainable through improved administration, and also by the growth of supplementary taxes.

[1] A discussion of these matters is to be included in the forthcoming (1930) *Report* of the North Carolina Tax Commission. It is not recommended herein that funds be diverted from the State roads to local roads, at least not until the former system is nearer completion. The state road system in North Carolina is practically completed.

Separation of Sources of State and Local Revenue

"Separation" has been advocated in different states of the Union chiefly as a means of eliminating the evils resulting from inequalities in valuations between different local assessment districts. With almost complete separation already, the elimination of the small state levy on property in West Virginia would have little effect in removing existing inequalities.

The advocacy of complete separation in this State is, therefore, usually based on other grounds. It is said that it would bring home to the taxpayer the fact that his heavy property taxes are due solely to the heavy local expenditures of his locality for which he and his neighbors are responsible. There is valid ground for making clearer to the average taxpayer his responsibility for his own high taxes, so this argument has considerable force.

Some who advance this argument, however, seem to imply that the taxpayer has little right to criticize State expenditures if all his direct taxes are spent in his locality. The truth is that the average taxpayer should be more interested in state economy than he is now. He foots most of the bills indirectly if not directly. His failure to realize this where sources of revenue have been separated has been the cause of too much extravagance in various states and is one of the serious objections to separation.

As a matter of fact, better administration is much more important than separation and, unfortunately, the general experience has been that extremes of separation have weakened rather than strengthened administration. Indeed, good administration removes most of the reasons for separation.

Furthermore, extreme separation, if embedded in the Constitution—or in the public mind—tends to make the revenue systems of states and localities inflexible. Too often the revenues assigned to the different jurisdictions have not corresponded with their respective needs. In time both needs and tax yields change, but they do not always change in the same proportions, sometimes not even in the same directions.

Thus we see that while separation has merits under certain conditions, it must be carefully safeguarded lest the advantages shall be outweighed by the disadvantages.

Classification of Property

The classification of property has been much discussed in this State. There is theoretical justification for the classification and special treatment of at least a few kinds of property. This applies particularly to intangibles, probably to young forests and potential forest lands, and possibly to a few other classes. The wisdom of a policy of classification and the extent to which it should be carried in a given state depends, however, upon whether its application in actual practice will bring more advantages or disadvantages. The most important valid arguments for differential treatment rest upon administrative grounds.

There would be relatively little reason for classification if, in actual practice, all property were listed and assessed uniformly. In such case, it would be possible to deduct debts from assets and still leave an adequate taxable base. It would be possible also to prevent double taxation by exempting so-called property that merely represents tangible wealth already taxed. But in actual practice, the great inequalities of assessment, and misconceptions as to the nature of property and the shifting of taxes, make impracticable the masuring of a man's tax liability by his net worth. Thus poor administration deprives the property tax of much of the equity it was formerly thought to have.

Largely because of the difficulties, injustices, and little revenue resulting from the taxation of intangibles under uniformity clauses of their constitutions, many states have made provisions for classification. Thirty-one states now have the power to classify. Only five of these[1]—and they are non-industrial—do not exercise this power. Of the twenty-six that do exercise it, only four[2] have comprehensive classification. As a matter of fact, all states really have classification in practice, if not by constitutional authority; none actually assesses and taxes intangibles as it does real estate or even as it does most tangible personalty. It is the low rate taxation of intangibles that is the most common, as well as the most justifiable and most expedient legal application of classification.

Some opposition to the exemption or low rate taxation of intangibles is based upon common misunderstandings which are discussed in Chapter VII. There is room here for only a few suggestive illustrations of the unsoundness of these misconceptions. It is quite commonly believed that so-called tax-exempt bonds are

[1]Arizona, Colorado, Florida, Idaho, and New Mexico.
[2]Kentucky, Minnesota, Montana, and Virginia.

really exempt. But the purchaser of a West Virginia State bond, for example, pays a higher price by virtue of the exemption. This extra price is really the tax which he pays in advance. If the State announced that such bonds would be taxed 2% each year, the buyer would pay a price lower by the amount of the actuarial value of the tax, or he would have to get a rate of interest higher by the amount of the tax rate. In the end, it really makes little difference to the State or to the buyer whether the bonds are taxed or not, provided a stable and consistent policy is followed.

Most interest rates on corporation bonds, also rates on farm and other mortgages, are now lower than they would be if they were not in reality almost tax exempt[1] through failure to list. These interest rates are not quite so low as they would be with legal exemption, however, because there is always the risk of getting caught. So the going interest rate is a little higher to cover a sort of insurance premium against the risk of being detected. This risk scares some capital from the State, and thus makes the rate somewhat higher as well as retards the development of the State's resources. It is obvious that the entire exemption of such intangibles would result in little loss of revenue, slightly lower interest rates for practically all borrowers, and consequent aid to agriculture, industry, and commerce.

Let us consider another case. The taxation of the deed to a farm, in addition to the farm itself, has almost as much logical justification as the taxation of stocks, bonds and other so called property which merely represent titles to real estate, factories, and other wealth already taxed. It may be true that corporations and owners of corporate securities often have valuable privileges and income that justify extra taxation. There are so many exceptions to this rule, however, that it is inequitable to apply it to all corporations or to all security holders. If special privileges are worth anything they will result in extra profits or income. It would be more justifiable to apportion taxes on such privileges according to actual income resulting therefrom than to assume that such privileges are always valuable and in proportion to the security holdings which the assessor discovers in each case.

The fact is that the taxation of intangibles that represent tangible property already taxed—as do most intangibles—has little logical place in a property tax system and is based largely upon a misunderstanding of economic realities. Regardless of this fact, how-

[1]That is, they are really almost tax-exempt in the same sense that government bonds are exempt, from an economic standpoint.

ever, the taxation of intangibles under the "uniform clause" is impossible of good administraton under existing conditions, it seriously hampers the administration of much more important taxes, it weakens public respect for government and for law, it works serious injustice to a few, it makes capital for investment in the State somewhat scarcer and the interest rate somewhat higher—though not by nearly so much as would be the case if the law were generally enforced—and finally it yields very little revenue. If the State can not see to it that all property is taxed uniformly so that it can permit the full offsetting of debts and of credits representing physical property already taxed—and there is no probability that any state can attain such perfect tax administration soon—then the logical and sensible thing to do would be the complete elimination of property taxes on such intangibles.

Because of the common misunderstandings referred to above, most states have not found it feasible to go this far; instead, they have adopted a compromise in the form of a low rate taxation of intangibles, or better still, a tax on the income from intangibles. These compromises result in much less injustice and, in states where administration is best, they have resulted in an increase of revenue. Where administration has been poor, yields have been disappointing. But the greatest benefits come from removing the drag on the administration of other more important taxes.

The special classification of other classes of property rests upon rather different foundations.

Some of the best administrators advocate the exemption of all household goods on the ground that such property is actually very poorly assessed, entire exemption would cause little, if any more injustice, and the same time and expense devoted to improving the assessments of more important property would yield much greater results. These claims are worth considering.

If fair alternatives can be provided, there is some reason for taxing oil and gas wells upon yields or profits rather than under the general property tax. The main justification for special treatment of such properties is the difficulty of fixing true values where the income bases of such values are so uncertain and indeterminable. Coal properties are different. With proper tests and competent appraisers, they can be valued about as accurately as most other property.

If there is any justification for heavier taxes upon extractive industries than upon other property, it rests upon other grounds

than those mentioned above. Of course, if the carrying on of any industry occasions the State extraordinary expense or causes special injury to other property, it is fair to take proper cognizance of such facts. But if a state takes proper measures to prevent waste and to encourage the economical use of all resources in private hands, and still thinks it is desirable to levy especially heavy taxes on certain classes to prevent the rapid depletion of natural resources, it should remember that it is doing something closely akin to the confiscation of private property for public purposes. It is for those who determine public policies to decide whether or not the advantages of such taxation outweigh its disadvantages, just as it is their duty to decide whether manufacturers, wholesalers and other owners of mobile property are to be encouraged by bonuses in the form of lower taxation.

The main argument for the special treatment of young forests also rests chiefly upon broad social grounds rather than upon revenue or fiscal considerations. It seems probable, however, that in the long run, the State might get as much revenue from forests under the proper combination of yield and property taxes as it will receive by pursuing the present tax policy with respect to these properties. In addition, it might promote the development of a great natural resource that is on the decline. Frankly, this whole matter of forest taxation is in the experimental stage, the costs of bonuses (in the form of lighter taxation at first) may or may not be justified by ultimate results. When all the advantages and disadvantages of differential treatment are balanced against each other, however, the case for young forests appears stronger than the cases for most other classes of property, except intangibles.

One of the great risks of opening up the whole matter of comprehensive classification is the danger of encouraging wrangling between different interests, not only one year but any year. Few things are more disastrous to the prosperity of the State than unduly frequent changes or threats of changes in the taxing system. Of course, no change means no progress but too many radical changes are worse than too few. Most progress can be made by following a well considered middle course that is neither over-conservative nor over-radical. In the more doubtful cases, the larger part of the burden of proof is upon those who ask for special treatment. The presumption is against it. The judgments of thoughtful men of wide observation and experience are not all in agreement with respect to the issues raised in this connection. In

fact, no final answer can be given to them, except the judgment of the Legislature—and it may not be final—but it is the peculiar province of the Legislature to give voice to its composite judgment of what will best promote the public welfare when such mooted questions are presented.[1]

It would seem very unfortunate, however, if discussion of these matters—even if they are of considerable weight—should be allowed to distract attention too much at present from the most important of all feasible improvements, namely, that which experience has shown to be possible through proper centralized supervision.

Centralized Supervision of Administration

There has been a slow but impressive forward movement in state and local tax administration throughout most of the states of the Union during the last three or four decades. In some states the improvement has been disappointingly small; in others, it has been moderate but substantial; in the most progressive, it has been quite marked. Separation and classification have played their parts in this movement ,but they have not been very effective unless accompanied by good administration. The leadership in this forward movement has been taken by those competent tax commissions and commissioners who have been reasonably free from political influence, who have been given broad powers and responsibilities, and who have generally been given a good measure of legislative and popular support.

It has come to be recognized that good assessments lie at the foundation of good tax administration and that, if local assessments are not generally good in the first place, all of the old fashioned state and local equalization boards will never make them good. So the chief work of modern permanent tax commissions has been directed toward improving the original assessment.

The best commissions have made more or less continuous use of engineers, accountants, and other experts in connection with their most difficult appraisals; they have set up valuations which even poorly trained assessors can maintain until their experts can check them again; they have constantly studied their problems and kept in touch with progress in other states; they have counseled with and educated their assessors more or less continuously; they have even done much to educate the taxpayers of their respective states. The most successful commissions have had the authority or ability

[1]For fuller discussion of classification, see Chapter VII.

to see that the assessors carried out their instructions reasonably well. Adequate power to equalize and to make reassessments, as well as the aid of trained district supervisors under civil service, have been among the most important means of making their work effective.

It may be asked, What practical steps can be taken to remove the great inequalities in assessments in West Virginia? What is feasible to bring about substantial improvement and to put the tax that raises the vast bulk of state and local revenues upon a sound basis?

The State already has county assessors and in this respect is much more fortunate than many Northern states that have township assessors. Such supervision as a state tax commissioner can exercise may be employed much more effectively and much more easily when dealing with 55 county assessors than when dealing with 2,800 local assessors as must be done in Minnesota, for example. A strong tax commissioner, if given more support as suggested below, and if he uses to the full the best aids and methods of the most progressive states, as suggested elsewhere in this report, should be able to get good results. Of course, it would help much if provisions were made to see that county assessors were better qualified and were busily engaged at a thorough study of values all the year round.

Regular four-year reassessments by independent qualified appraisers would be better than the present system but proper central supervision energetically, tactfully, and continuously applied would be still better. One would hesitate to recommend fractional valuation, but if uniform it would be much better than great inequalities upon a suppositious full value basis. Minnesota has found this psychological device to be of considerable value. The regular and continuous checking of sales against assessments is one of the most effective aids to good administration. Good assessors in other states do this systematically under existing handicaps. It would be much easier and cheaper if all deeds of sale were required to name the true consideration. If there is too much objection to this, each seller could be required to file a confidential affidavit that would be open only to the inspection of taxing officials and the courts. This is a very little thing that offers large possibilities if properly used. Special attention might be called also to the way in which Wisconsin has utilized its income tax assessors to improve the administration of the property tax.

It would be possible to continue enumerating various other aids and methods, some of which have been suggested elsewhere in this report, but the administration of the property tax has come to such a pass in this State that it will probably take a very, very long time to get it straightened out unless unusual methods are first applied in order to get it upon a proper basis. Such a basis can be more easily maintained after it is once established. West Virginia has already shown upon several occasions that she can rise to the situation if necessary. She has shown an appreciation of strong state supervision with respect to: (1) the auditing of the finances of all local subdivisions; (2) the management of all local bond issues; and (3) the construction and maintenance of the State road system. In the face of results, most former local fears and opposition have given way to general approval. Equal if not more important results for localities and State can be obtained through adequate supervision of the tax system. But as mentioned above the unusual situation calls for unusual efforts in order to get a proper start.

That a thorough-going reassessment of property can be made is shown by the experience under Governor Dawson a quarter of a century ago. Less successful attempts have been made since, but in all cases the competition for under assessment and pressure upon local assessors has permitted the gradual undermining of the valuations established. In other words, there has been inadequate supervision to maintain the standards when they have been put up, to say nothing of improving them from year to year, as good administration should do. The whole situation has gotten into a vicious circle, doubtless much as it did thirty years ago.

The West Virginia statutes appear to give the Tax Commissioner ample power to right present inequities, but back of the statutes and more powerful than legislative fiat stand tradition, long established practice, political pressure, and public opinion. Some claim that the reassessment provision is unenforcible, partly because of certain gaps in the law, but mostly because of the practices and public inertia which have gradually brought about the existing state of affairs. Experience in this State indicates that the Tax Commissioner would have an up hill task if he undertook to develop adequate supervision unless there is first built up a more substantial base for effective action.

It certainly is within the power of the Legislature to strengthen the Commissioner's hands by giving him more effective authority over original assessments and also over equalization. If it is not willing to give adequate authority to a single commissioner but would be willing to grant it to a commission of three, then by all means let it create a good commission.

In fact, it would be wise to set up at once a special reassessment and equalization commission of three capable, outstanding, public spirited citizens, and give them powers and adequate funds to put the tax system upon a good foundation in 1931. Then the Legislature should either make it possible for the Tax Commissioner to maintain and improve the good base when set up, or else create a permanent commission of three with adequate powers to do so.

In any case, there should be some changes in the statutes and also adequate appropriations to maintain a staff of expert assistants and to employ modern methods of administration. With such additional power and means, and with the assurance of legislative support which the granting of them would imply, substantial improvements could be brought about without much additional legislation. But such improvements will probably be very slow unless extraordinary methods are taken to get valuations upon a much better basis to begin with. That is why it is important to establish the special commission of the type suggested.

Every fair minded public spirited citizen of the State regardless of party, can support heartily the effort to put and keep assessments upon a sound and equitable basis. Of course, some of those now greatly underassessed may object and extreme partisans may criticize. But few will attack the main proposal of this report directly and openly. Rather we may expect that interested parties will propose meritorious alternatives and methods, they will discuss details of this and that, anything to distract attention from the main issue, anything that will thwart or delay action.

But wise strategy involves concentrating all attention and all energies upon the one biggest thing and refusing to be distracted by lesser matters, however important they may be. For these reasons it is recommended that reforms of taxes other than the property tax, and even extended discussion of them, be kept out of the foreground until after the success of the one biggest undertaking is assured.

And it should be kept in mind also that even more important than the passage of the necessary statutes is the selection of proper

personnel. The Legislature, and in fact all the people of the State, should uphold the hands of the Governor and also those of the commission against the assaults and influences that are sure to beset them in the making of appointments, for the greatest success of the whole undertaking depends upon securing for the entire personnel the services of the most capable and public spirited men in the State and in the several districts and counties.

Apparently, the public will have to be fully informed of the present situation and of its significance before a really successful and equitable reassessment can be made. To break the vicious circle there should be an unusual campaign of public education, an unusual revival of public spirit, something almost akin to a religious revival. With the inequities so great, with tax burdens so heavy, and with both magnified by the present business depression, it would seem that the time is ripe for a real public awakening on tax matters. With proper leadership and plenty of support, it should not take long to apprise the people of the facts. Indeed, they are all too familiar with some of these facts already. But they are not clear as to the practical way out, they need wise counsel and guidance. The trusted leaders of the State should rise to the occasion. They now have an unusual opportunity to perform a really great public service.

Chapter II

REQUIREMENTS OF A GOOD TAX SYSTEM

HOW MUCH should a state spend?
How high can taxes be without being too high?
What is a good tax system?
What are the most serious defects in West Virginia's taxes?
How may these defects be remedied?

Most of this report is an attempt to answer the last two of these questions. Chief attention is devoted to what may be called the central problems of taxation, namely, the proper distribution of the costs of government services and administration necessary to secure such distribution.

All expenditures, public and private, must come out of the people's income. It is often asked, "What proportion of the total should be taken for government purposes?" All, and no more, than the people's cooperative agency, called the government, will use for them better than they will use it for themselves in other ways. In other words, taxes are too high only when they turn over to public servants funds that could be used to better advantage for other services or through other agencies. "Better" as used above must be defined in terms of long time public welfare, rather than in terms of immediate advantage to any particular individual.

A good tax system is one which provides adequate funds for services which the government can perform most advantageously and provides them in an equitable and economical manner. The requirements of adequacy, equity, and economy are so obvious that it is scarcely necessary to discuss them. Adam Smith's first canon of taxation was that contributions of "subjects" should be "as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue [income] which they respectively enjoy under the protection of the state."

A few other characteristics of a good tax system may be added by way of amplification of the main requirements. The tax system should be a real system; that is, the different taxes should form a harmonious whole and not a mere collection of unarticulated taxes. For example, a regressive property tax may be compensated by a progressive income tax; each may reach abilities that the other

fails to reach and one may take account of benefits that the other slights or overlooks. The combination is better than either tax alone.

In a good system the taxes of a state will harmonize not only with those of its own subdivisions, but also with those of sister states and the national government. Proper cognizance will be taken of respective needs and resources, and there will be a happy medium of home rule and central coordination. The "Model System of State and Local Taxation" as proposed by the Committee of the National Tax Association is one of the most notable and suggestive attempts to meet the requirements outlined above. It was prepared by some of the best authorities and practical tax administrators in the country after mature consideration; it has been discussed at length before the National Tax Association conferences; and it has received general approval for a dozen years. The "model system" deals with large matters of principle and policy rather than with details. Perhaps, no sounder advice can be given to any state than to consider to what extent it is feasible to bring its tax system into line with this "model system." In fact, this might well be considered every time that important tax modifications are contemplated. It is not meant that any two states should have exactly the same tax system, but there are fundamental guiding principles that should be observed at all times.

To remain satisfactory, a tax system should be gradually but continuously adapted to changing conditions. Too frequent radical changes are upsetting and should be avoided. The usual presumption is in favor of old taxes to which competition has forced the adjustment of business and investment. On the other hand, no change means no progress. A happy mean should be the rule here, also. Unfortunately, laws and customs generally, including tax laws and practices, often lag in the mud road stage long after science and industry have advanced to the age of automobiles and aeroplanes. Our most progressive modern industries would not be where they are today if they still followed the lax and inexact methods of a century ago, if they made as little use of scientific research and expert administration as do some government administrators.

A good tax system will not only be conservatively progressive and as equitable as possible to every taxpayer, it will also have regard for the prosperity of every farmer, every laborer, every manufacturer, every merchant, every professional man, and every other producer in the state. The government is a partner of every

one of these; its aim is to promote their welfare. By providing the conditions under which they can prosper, it assures itself of funds for its own support. Those planning the finances of the state should consider the effect of each tax and each expenditure upon the future prosperity of the state. This does not mean, however, that business men and industries should be exempt from taxation. If they were, funds would be so inadequate that the government could not provide the services necessary for their own greatest prosperity, to say nothing of the welfare of the people as a whole. A poor government is one of the most expensive of luxuries. However little it may cost directly, its indirect cost will be very great.

It has been said that there is an Old World economy and a New World economy; that if pressed for means the citizen of the Old World tightens his belt, whereas the citizen of the New World bestirs himself to produce more so that he can continue to maintain and even expand his standard of living. This characterization may be unfair to the citizen of the Old World but, in any case, it illustrates a point. If West Virginia's citizens are sufficiently alert, clever, and persevering, they may meet their tax problems in large part through better utilization of resources, that is, through increasing their wealth and income rather than through the elimination of valuable service. Of course, it is desirable to eliminate waste and extravagance, but no one welcomes the idea of lower standards with respect to schools, highways, care of the unfortunate, police, etc.

Chemistry and electricity are the wizards of the present age. The vast coal fields and other resources of this State appear to offer a fertile field for the researches of the University and other schools of the State as well as for the researches and investments of leading private industries. No one can tell what romances they may bring forth. One has but to review the scientific and industrial advance of the world during the past few years to sense the possibilities.

But the greatest resource in the state consists of its people; the development of other resources depends upon their capacities, their energies and their training. Four hundred years ago the potential resources of North America were as great as they are today but the Indians were roaming the plains and forests quite unaware of these riches. Nor were Europeans of that day aware or prepared to take advantage of them. A German economist remarked to the

writer that if the people of the United States and Russia had exchanged countries a century or two ago, this would now be Russia and what is now Russia would be the United States. During the worst financial throes of France following the late war, a French economist said that what France needed most was not foreign loans that would have to be repaid, but scientific, inventive, alert, and shrewd citizens who would discover oil, or make inventions, or otherwise increase the internal wealth of France.

It is not easy for West Virginia or any other state to solve tax and other financial problems by magic or over night. There may be many times when it will be necessary to resort to the painful process of restriction, at least for short intervals when income will not go around. But it is obvious that its long run plans should be directed as much towards the development of resources as towards tightening its belt.

A proper tax system will promote social and political cooperation, rather than excessive friction; it will enable the state to perform its proper functions efficiently; it will work for the prosperity of agriculture, industry, and commerce; it will aid in the best utilization of human capacities and natural resources; it will promote the public welfare generally.

Of course, a perfect tax system never did and probably never will exist. Nevertheless, it is well to have standards or criteria in mind as guides to action. In any particular situation where attempts at improvements are being made, one must always be guided by what is practicable.

We shall next turn our attention to the tax system of West Virginia as it now exists. Later we shall consider how it may be improved to the end that the State and the people may make the most of their possibilities.

Chapter III

WEST VIRGINIA STATE AND LOCAL FINANCES

A Brief Survey of the Present Status

Present State Revenues (1930)[a]

West Virginia's State Revenues are classified as follows:

First, State Fund—General Revenue	$ 8,574,000.00
Second, State Fund—Special Revenue	2,418,000.00
Third, General School Fund	1,122,000.00
Fourth, State Road Fund	10,000,000.00
Fifth, Interest—Sinking Fund—Virginia Debt	780,000.00
Total[b]	$22,894,000.00

In addition to the above, West Virginia receives Federal Aid for roads, $1,321,000; Federal and other aid for sundry purposes, $365,000.

Following is a brief analysis of the five State funds whose totals are given above.

FIRST

The State Fund—General Revenue can be expended only for the payment of appropriations made by the Legislature.

Table III—1: State Fund—General Revenue

Source of Revenue:

State Direct Levy (10 cents)	$ 1,950,000.00
State License on Corporation Charters	1,100,000.00
Inheritance Tax	750,000.00
Tax on Insurance and Certificates of Authority	825,000.00
Gross Sales, License Tax	3,700,000.00
Land Tax—Excess Acreage—Paid by Corporations	5,000.00
Fees, Auditor's Office	130,000.00
Fees, Secretary of State's Office	22,000.00
Fees, Commissioner of Banking	25,000.00
Fees, Prohibition Commissioner	37,000.00
Fees, Pharmacy Board	2,000.00
Corporation Statutory Attorney Fees	20,000.00
Tax on State Seal	4,000.00
Sale of Books, Court Reports and Acts	4,000.00
Total	$ 8,574,000.00

[a] For estimates for 1931, 1932, and 1933, released while this report was in press, see statements and tables on pages 56, 57 in the Appendix of this chapter.

[b] Does not include the Capitol building levy which amounts to about $1,000,000 and which is not a part of the State's regular financial program.

SECOND

The State Fund—Special Revenue can be expended only for the payment of appropriations which are payable out of money collected for specific purposes.

TABLE III—2: STATE FUND—SPECIAL REVENUE

Source of Revenue:

Pay Patients, including Collections from Counties	$ 510,000.00
Sundry Sales, State Institutions	101,000.00
Prison Labor	340,000.00
Game and Fish Commission, Hunters' Licenses	200,000.00
Fire Protection	4,500.00
Public Service Commission, Special Tax	83,000.00
Special Permits	7,000.00
Auditor's Office, Fire Marshal Tax	46,000.00
Speculative Securities Fees	12,000.00
Fees, State Schools	545,000.00
Book Stores, State Schools	55,000.00
Board and Dormitories, State Schools	420,000.00
Other Collections and Fees	94,500.00
Total	$ 2,418,000.00

THIRD

The General School Fund can be expended only for the payment of appropriations for salaries and expenses of the State Department of Free Schools, compensation of Institute Instructors, salary and expense of State Board of Education, expense of Uniform Examinations, salaries of County Superintendents, cost of Certification and Publishing of Delinquent Taxes, and distribution of school moneys to the several school districts of the State.

TABLE III—3: GENERAL SCHOOL FUND

Source of Revenue:

State Capitation Tax	$ 300,000.00
General License Taxes	375,000.00
Interest on Deposits	175,000.00
Interest on Investment of "The School Fund"	55,000.00
State License Tax on Marriages	18,000.00
Fines Imposed, Circuit, Criminal, and Justices' Courts	50,000.00

Teachers' Examination and Institute Fees	14,000.00
Other Fees	5,000.00
State Tax on Forfeitures	5,000.00
State Tax from Commissioner of School Land	10,000.00
State Tax Redemption of Land from Auditor	70,000.00
State Tax Redemption and Sale of Land from Sheriffs	45,000.00
Total	$ 1,122,000.00

FOURTH

STATE ROAD FUND

The State Road Fund consists of the proceeds of all State license taxes collected upon automobiles, motor or steam driven vehicles, and on chauffeurs or operators, fees for certificates of title and a tax of 4 cents on each gallon of gasoline, and in addition thereto, the amount derived from the sale of State Road Bonds, which bond money can be used only for the construction or reconstruction of State roads, the balance of the fund can be expended only for the purpose of paying the expenses of the State Road Commission, as appropriated by the Legislature, for the payment of interest on and principal of outstanding road bonds, and for construction, reconstruction and maintenance of State roads.

Source of Revenue:

Automobile License Tax and Fees	$ 4,600,000.00
Gasoline Tax	5,400,000.00
Total	$10,000,000.00

West Virginia's share of Federal Aid for road construction is $1,321,376.00 for the current year.

FIFTH

INTEREST AND SINKING FUND—VIRGINIA DEBT

This fund can be expended only for payment of interest on, and the principal of, Virginia Debt Bonds.

Source of Revenue:

State Direct Levy (4 cents)	$ 780,000.00

West Virginia Local Revenues

West Virginia's local revenues are administered by 662 fiscal boards, divided into three classes:

	Present Revenue (1930)
First, County Courts	$17,782,000.00
Second, Boards of Education	29,261,000.00
Third, Municipal Boards	7,201,000.00
Grand Total	$54,244,000.00

The above amount for Boards of Education includes $2,164,000 State aid to local schools, which amount is included in total State revenues, hence must be deducted from the above grand total to determine additional amount of revenue for local fiscal bodies.

Source of Local Revenue

Practically all local revenue is raised by direct levy on property in general. In addition to revenue raised by direct levy for local fiscal bodies, revenue is also derived from other sources, county courts receiving revenue from earnings of the several county officers, including sheriff, county clerk, and prosecuting attorney, interest on daily balances and road capitations. Revenue is also received by certain municipal authorities from capitation taxes, sundry license taxes, building permits, fines, and interest on daily balances. This classification includes practically all revenue received by municipalities, except in a few special cases, and where municipally owned water and electric plants are operated. Boards of education receive no revenue other than from direct taxes, except collection of tuition, a large part of which is paid by one district to another, and except from State aid paid by the State to local school districts.

The revenue is received from the following sources:

Table III—4: Sources of Local Revenues [a]

FIRST

County Courts (55):

Amount Levied by Direct Levy on Property	$16,647,000.00
Earnings of County Officers	500,000.00
Road Capitations	300,000.00
Interest on Daily Balances	335,000.00
Total	$17,782,000.00

[a] Figures used for direct levies are gross; amount actually received would be less by discounts and delinquencies.

SECOND

Boards of Education (397):

Amount Levied by Direct Levy on Property	$27,097,000.00
State Aid Received from State, 1929	2,164,000.00
Total	$29,261,000.00

THIRD

Municipal Bodies (210):

Amount Levied by Direct Levy on Property	$ 6,426,000.00
Sundry License Taxes	250,000.00
Capitation Taxes	150,000.00
Fines	250,000.00
Building Permits, Interest on Daily Balances, etc.	125,000.00
Total	$ 7,201,000.00

Table III—5: Growth of Local Revenue from Direct Taxes on Property

The amount of local revenue levied by direct taxes on property, by county courts, boards of education, and municipal authorities is as follows:

Fiscal Year	County Courts	Boards of Education	Municipal Boards	Total
1915	$ 4,740,036	$ 5,461,316	$ 1,863,220	$12,064,572
1919	8,613,066	8,397,557	2,580,230	19,590,853
1920	11,712,040	11,600,693	3,365,907	26,678,640
1921	12,562,000	15,820,817	3,829,583	32,212,400
1922	12,386,497	17,975,830	4,491,789	34,854,116
1923	13,213,138	19,540,325	4,856,861	37,610,324
1924	14,564,584	22,373,754	5,407,680	42,346,018
1925	15,024,997	22,952,970	5,549,919	43,527,886
1926	15,691,440	24,015,923	6,067,306	45,774,669
1927	16,085,641	24,484,212	6,184,518	46,754,371
1928	16,976,793	25,104,800	6,278,966	48,360,559
1929	17,047,295	25,899,459	6,375,929	49,322,683
1930	16,647,141	27,096,778	6,425,501	50,169,420

TABLE III—6: LOCAL DIRECT LEVIES ON REAL AND PERSONAL PROPERTY AND PUBLIC UTILITIES[a]

Comparative statement showing amount levied by county courts, boards of education, and municipal boards for thirteen years, namely, fiscal years ending June 30, 1915, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, and 1930.

COUNTY COURTS:	1915	1919	1920	1921	1922	1923
General County	$ 2,427,378	$ 3,153,630	$ 3,039,858	$ 3,345,391	$ 4,079,915	$ 4,515,610
County and District Roads	1,491,486	3,651,032	6,233,842	6,348,406	5,317,602	5,517,849
County and District Road Bonds	704,651	1,457,223	1,818,110	2,281,634	2,398,693	2,538,241
Other County Bonds	116,521	100,327	145,370	90,942	39,489	54,062
Railroad Bonds	....	101,176	67,062	65,102	74,099	70,655
Court House and Jail	....	138,571	254,682	246,954	334,539	368,216
War Memorial	....	....	5,619	36,737	46,451	84,214
Special Purposes	....	11,107	147,497	146,834	95,739	64,291
Total	$ 4,740,036	$ 8,613,066	$11,712,040	$12,562,000	$12,386,497	$13,213,138
BOARDS OF EDUCATION:						
High School Teachers	....	....	$ 1,299,880	$ 2,004,032	$ 2,341,989	$ 3,025,255
High School Maintenance	....	....	537,353	782,985	675,218	768,070
County High Schools	$ 20,780	$ 36,244	46,761	74,452	119,997	142,945
Elementary Teachers	2,997,194b	5,379,032b	5,603,554	7,675,694	8,549,300	8,931,232
Elementary Maintenance	....	....	1,557,221	1,977,047	2,275,247	2,501,336
New Building and Improvement	1,554,423b	2,255,705b	1,874,136	2,397,000	2,950,129	3,158,406
School Bonds	400,000b	585,587	628,625	820,735	988,088	917,942
Public Library	....	....	37,338	35,255	31,896	35,811
Special Purposes	488,919b	140,989	15,825	53,617	43,966	29,328
Total	$ 5,461,316	$ 8,397,557	$11,600,693	$15,820,817	$17,975,830	$19,540,325
MUNICIPALITIES:						
Municipal, General	$ 1,413,220c	$ 1,868,083	$ 2,513,535	$ 2,747,656	$ 3,291,809	$ 3,715,958
Municipal Bonds	450,000c	532,774	728,781	1,050,526	1,010,813	990,210
Park Commission Play Grounds	....	....	....	....	8,759	9,465
Special Bridge	....	....	....	....	29,657	32,518
Special Purposes	....	179,373	123,591	31,401	150,751	108,710
Total	$ 1,863,220	$ 2,580,230	$ 3,365,907	$ 3,829,583	$ 4,491,789	$ 4,856,861
Grand Total Local Levies	$12,064,572	$19,590,853	$26,678,640	$32,212,400	$34,854,116	$37,610,324

a—Figures used for direct levies are gross; amount actually received would be less by discounts and delinquencies.
b—One levy laid for Elementary and High School purposes.
c—Division of these items for year 1915 estimated.

TABLE III—6: (Continued)

Comparative statement showing amount levied by county courts, boards of education, and municipal boards for thirteen years, namely, fiscal years ending June 30, 1915, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, and 1930.

COUNTY COURTS:	1924	1925	1926	1927	1928	1929	1930
General County	$ 4,804,425	$ 4,717,503	$ 5,011,076	$ 5,166,469	$ 5,382,487	$ 5,412,117	$ 5,286,862
County and District Roads	6,371,415	6,624,304	6,761,316	6,818,953	7,123,779	7,075,103	6,526,904
County and District Road Bonds	2,909,892	3,260,314	3,436,213	3,655,624	3,952,740	4,051,202	4,103,873
Other County Bonds	52,744	44,250	37,054	46,122	34,834	33,844	58,770
Railroad Bonds	77,017	90,561	88,295	78,525	68,207	54,346	54,031
Court House and Jail	127,975	76,087	169,723	113,339	180,631	189,027	291,920
War Memorial	112,998	76,387	59,753	60,804	77,831	65,660	57,066
Special Purposes	108,118	135,591	128,010	145,805	151,284	165,996	267,715
Total	$14,564,584	$15,024,997	$15,691,440	$16,085,641	$16,976,793	$17,047,295	$16,647,141
BOARDS OF EDUCATION:							
High School Teachers	$ 3,509,551	$ 3,815,991	$ 4,360,007	$ 4,801,097	$ 5,190,520	$ 5,635,841	$ 6,104,408
High School Maintenance	938,730	1,061,631	1,388,056	1,449,945	1,602,950	1,806,328	2,028,061
County High Schools	197,524	184,877	219,148	200,743	177,016	185,264	187,810
Elementary Teachers	9,773,847	9,685,249	10,018,295	10,065,107	10,328,433	10,453,408	11,434,981
Elementary Maintenance	2,728,690	2,678,761	2,873,936	2,911,857	2,827,344	2,865,928	2,922,196
New Building and Improvement	3,701,076	3,914,701	3,469,695	3,431,975	3,393,156	3,316,819	2,654,634
School Bonds	1,421,176	1,499,405	1,569,781	1,505,430	1,461,212	1,525,749	1,648,558
Public Library	81,524	82,914	83,032	78,931	79,335	60,361	63,405
Special Purposes	21,636	29,441	33,973	39,127	44,834	49,761	52,725
Total	$22,373,754	$22,952,970	$24,015,923	$24,484,212	$25,104,800	$25,899,459	$27,096,778
MUNICIPALITIES:							
Municipal, General	$ 4,090,480	$ 4,073,282	$ 4,294,411	$ 4,491,464	$ 4,486,435	$ 4,407,267	$ 4,435,750
Municipal Bonds	1,120,907	1,321,956	1,451,195	1,402,593	1,459,902	1,545,744	1,481,636
Park Commission	....	....	124,379	114,899	123,950	119,645	153,790
Play Grounds	52,753	53,982	51,800	60,762	61,657	63,887	39,407
Special Bridge	30,882	30,228	35,632	3,760	....	3,454	3,845
Special Purposes	112,658	70,471	109,889	111,040	147,022	235,932	311,073
Total	$ 5,407,680	$ 5,549,919	$ 6,067,306	$ 6,184,518	$ 6,278,966	$ 6,375,929	$ 6,425,501
Grand Total Local Levies	$42,346,018	$43,527,886	$45,774,669	$46,754,371	$48,360,559	$49,322,683	$50,169,420

TABLE III—7: STATE EXPENDITURES

Comparative statement of expenditures made by the State for thirteen years, namely, fiscal years ending June 30, 1915, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, and 1930.

EXPENDED FOR	1915	1919	1920	1921	1922	1923
Education	$ 1,544,625	$ 2,192,117	$ 2,307,083	$ 2,990,643	$ 4,746,007	$ 4,708,530
Boys and Girls' Industrial Schools[a]	133,380	192,774	250,433	170,349	155,494	209,409
Hospitals	505,985	849,627	959,161	1,075,503	1,009,108	926,542
Children's Homes	29,642	41,720	65,725	47,802	63,260	103,557
Courts and Law Library	149,974	143,940	195,981	200,681	240,189	209,211
Criminal Charges	81,030	47,538	61,427	91,855	85,000	183,582
State Penitentiary	179,011	203,580	224,289	284,205	211,771	274,652
Maintenance Capitol Buildings and Grounds	31,968	53,243	48,504	71,714	64,394	54,161
Insurance on Public Buildings	78,275	8,134	18,885	37,148	60,031	50,584
State Elective Offices	163,948	259,122	332,978	321,989	391,278	409,395
State Appointive Offices, Commissions and Boards	347,731	443,313	548,297	614,487	755,483	828,946
Agricultural Experiment Station	48,722	96,380	128,246	177,839	191,080	188,246
Community Packing House	....	....	29,231	15,519	23,695	15,140
4-H Camp and Fair	....	....	....	....	....	....
Geological and Economic Survey	48,098	20,162	54,837	52,188	63,372	45,537
Printing, Binding and Stationery	61,483	118,598	116,373	196,652	137,600	130,892
Department of Public Safety	....	....	94,844	211,926	437,713	417,250
Militia	88,946	561	13,634	4,603	71,957	53,622
West Virginia Legislature	111,725	168,152	28,191	318,088	61,872	182,540
Miscellaneous, Extraordinary	136,710	56,633	34,328	109,933	126,876	153,222
Total	$ 3,741,253	$ 4,895,603	$ 5,512,347	$ 6,993,124	$ 8,896,180	$ 9,145,018
Temporary, New Capitol and Mansion Buildings and Equip.	....	....	....	200,280	141,452	1,954,034
State Road Commission other than Bond Fund	....	361,165	1,258,952	1,747,758	3,667,251	3,742,182
Virginia Debt Payments	....	1,106,220	661,981	2,087,741	678,141	2,405,632
War Fund and Federal War Training	....	222,232	37,739	13,579	....	....
Total	$ 3,741,253	$ 6,585,220	$ 7,471,019	$11,042,482	$13,383,024	$17,246,866
State Road Commission, Bond Fund[b]	....	....	....	....	1,157,950	6,817,470
Grand Total	$ 3,741,253	$ 6,585,220	$ 7,471,019	$11,042,482	$14,540,974	$24,064,336

a—Prior to 1921 included schools for Deaf and Blind now classed as Educational.
b—Includes Federal Aid.

TABLE III—7: (Continued)

Comparative statement of expenditures made by the State for thirteen years, namely, fiscal years ending June 30, 1915, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, and 1930.

EXPENDED FOR	1924	1925	1926	1927	1928	1929	1930
Education	$ 5,329,564	$ 6,134,753	$ 6,304,971	$ 6,182,142	$ 6,542,921	$ 6,258,659	$ 7,002,635.93
Boys and Girls Industrial Schools[a]	468,547	313,707	320,663	297,286	389,689	313,615	278,500.61
Hospitals	1,133,094	1,549,865	1,360,263	1,529,451	1,670,447	1,823,209	1,725,626.92
Childrens Homes	87,766	88,928	104,857	95,578	98,470	111,557	101,372.31
Courts and Law Library	220,218	217,953	222,667	216,322	236,278	237,499	253,730.41
Criminal Charges	151,417	114,999	102,618	147,169	112,663	126,206	133,959.33
State Penitentiary	311,269	255,904	369,996	381,255	440,830	462,474	419,825.38
Maintenance Capitol Bldgs. & Grounds	46,537	61,338	80,718	67,097	73,694	85,216	82,833.43
Insurance on Public Buildings	78,394	78,454	86,718	121,260	54,855	122,266	123,214.02
State Elective Offices	360,841	365,185	371,219	370,827	378,327	416,782	431,733.07
State Appointive Offices, Commissions and Boards	854,645	964,712	993,964	999,095	1,115,748	1,175,832	1,157,402.99
Agricultural Experiment Station	149,589	163,292	187,592	207,983	230,457	228,786	235,782.78
Community Packing House	13,584	6,839	8,189	7,382	5,547	7,681	25,316.76
4-H Camp and Fair	74,904	74,984	45,480	37,673	53,512	64,413	32,948.87
Geological and Economic Survey	39,979	30,001	46,517	26,013	46,630	45,922	39,448.78
Printing, Binding and Stationery	82,534	106,174	85,860	134,213	92,455	153,277	119,040.12
Department of Public Safety	373,134	399,246	504,387	446,867	469,146	465,804	453,166.22
Militia	96,885	58,170	98,567	102,059	125,006	125,041	169,355.16
West Virginia Legislature	64,724	309,589	67,600	288,074	69,431	302,318	189,015.63
Miscellaneous, Extraordinary	175,537	198,874	203,330	213,722	260,874	155,284	165,084.24
Total	$10,113,142	$11,492,967	$11,566,146	$11,871,468	$12,469,980	$12,681,841	$13,139,992.96
Temporary and New Capitol and Mansion Buildings and Equipment	339,142	1,067,555	122,501	799,219	595,737	103,544	96,511.69
State Road Commission other than Bond Fund	3,975,870	6,044,492	6,901,028	7,857,341	9,678,395	9,931,155	10,234,864.19
Virginia Debt Payments	296,004	748,772	773,479	370,945	802,996	1,439,806	672,063.65
War Fund and Federal War Training	....	....	....	....	....	....	....
Total	$14,724,158	$19,353,786	$19,363,154	$20,898,973	$23,547,108	$24,156,346	$24,143,432.49
State Road Commission, Bond Fund[b]	11,731,129	10,346,494	10,387,848	10,126,429	13,108,323	5,559,732	12,797,808.06
Grand Total	$26,455,287	$29,700,280	$29,751,002	$31,025,402	$36,655,431	$29,716,078	$36,941,240.55

a—Prior to 1921 included Schools for Deaf and Blind now classed as Educational.
b—Includes Federal Aid.

TABLE III—8: OUTSTANDING BONDED INDEBTEDNESS—LOCAL AND STATE

Comparative statement showing outstanding bonds issued by State, counties, districts, school districts, and municipalities.

	1910	1918	1922	1926	1930
Local Bonds:					
County Road Bonds	..	$ 3,296,000	$ 7,997,000	$ 7,594,500	$ 6,794,000
District Road Bonds	..	10,863,000	16,963,200	30,062,300	35,734,400
Total Local Road Bonds	..	$14,159,000	$24,960,200	$37,656,800	$42,528,400
Other County Bonds	$ 600,000	535,000	469,200	411,500	296,000
District Railroad Bonds	300,000	1,125,500	494,500	379,500	346,500
District School Bonds	2,300,000	6,270,300	9,310,000	15,117,100	17,720,500
Municipal Bonds	5,300,000	8,272,600	11,576,500	18,898,700	18,280,800
Grand Total Local Bonds	$8,500,000a	$30,362,400	$47,310,400	$ 72,463,600	$79,172,200
State of West Virginia Bonds:					
State Road Bonds	..	..	15,000,000	47,000,000	78,300,000
Virginia Debt Bonds	..	$13,500,000b	10,300,000	7,900,000	5,500,000
Total	..	$13,500,000	$25,300,000	$54,900,000	$78,800,000
Per Capita: c					
Local	$ 6.96	$21.29	$30.76	$43.42	$45.80
State	..	9.30b	16.45	32.89	45.59
Total	$ 6.96	$30.59	$47.21	$76.31	$91.39

a—Partly estimated for 1910.
b—Year 1919.
c—Using U. S. Census estimates of population. It will be noted that these figures are slightly different from those cited in Table III-15.

COMPARATIVE EXPENDITURES AND TAX BURDENS

Per capita state expenditures in West Virginia covering governmental cost payments for operation and maintenance of general departments for the year 1928, as compiled by the United States Department of Commerce, Bureau of the Census, shows a per capita for West Virginia of $8.54, while the per capita for all states is $10.17. Thirteen states show a less per capita cost as follows: Missouri $6.77, North Carolina $6.58, South Carolina $8.15, Georgia $5.64, Kentucky $7.35, Tennessee $8.18, Alabama $7.85, Mississippi $7.51, Arkansas $8.18, Oklahoma $8.16, Ohio $6.80, Illinois $6.30, and Kansas $8.09. Thirty-four states show greater per capita cost, including Maryland $11.61, Virginia $9.96, Pennsylvania $9.92, Delaware $20.64, New Jersey $12.54, Nevada $30.52, California $12.49, Texas $12.57, Michigan $11.63, New York $14.00 (Department of Commerce Advance Sheets).

The above figures do not include expenditures for capital improvement or outlays such as those for roads, which are relatively heavy in West Virginia. (See tables, pages 52-54.)

The comparison is also favorable to West Virginia if local expenditures are included in the picture. The statistics of local expenditures in the United States are very incomplete and unsatisfactory, but according to the estimates available, the per capita average for the United States is about $50 to $55 as compared with $30 to $32 for West Virginia localities. In other words, combined state and local expenditures in this State have been running from $45 to $50 per capita as compared with a $60 to $70 average for all states.

It has been estimated that Federal taxes and expenditures for the United States as a whole and also for West Virginia have approximated about half as much as combined state and local taxes and expenditures.[1] This would mean a grand total per capita for Federal, State and local expenditures of near $100 for the United States and near $70 or $75 for West Virginia.

The figures in the three preceding paragraphs are not and can not, of course, be exact. Estimates of per capita state and national income are likely to be even less accurate approximations. They may, however, be considered for what they are deemed to be worth. The Brookmire Economic Service has estimated the income of West Virginia as follows (See Tables III—9 and III—10):

Total for State:	1925	1926	1927	1928	1929
In Millions of Dollars	$809	$932	$838	$800	$845
Per Capita[2]	$494	$558	$494	$464	$490

[1]See National Industrial Conference Board, *Cost of Government in the United States*, 1927-28, (1930) pp. 2, 85.
[2]Dividing Brookmire estimated income totals by United States Census estimates of population.

TABLE III—9: ESTIMATED TOTAL INCOME OF THE PEOPLE BY STATES

(In Millions of Dollars)[a]

	1925	1926	1927	1928	1929
Connecticut	$1,241	$1,321	$1,351	$1,459	$1,538
Delaware	132	143	156	158	165
Massachusetts	3,201	3,270	3,285	3,302	3,500
Mississippi	502	453	442	440	476
Missouri	1,993	2,037	2,027	2,040	2,129
Montana	409	411	461	508	482
New Hampshire	274	283	293	293	287
New York	9,828	10,577	11,057	11,914	12,796
North Carolina	1,040	1,086	1,153	1,104	1,025
North Dakota	464	359	418	446	384
Oklahoma	1,132	1,137	1,168	1,145	1,141
South Carolina	425	412	437	405	394
Virginia	783	818	907	926	888
Wisconsin	1,856	2,112	2,196	2,240	2,326
Ohio	4,937	5,214	5,065	5,417	5,856
Pennsylvania	6,849	7,535	7,353	7,481	8,101
Maryland	859	927	990	963	1,028
Kentucky	808	826	803	790	807
West Virginia *b*	809	932	838	800	845
United States	73,453	77,797	77,679	81,233	85,957

a—Figures from The Brookmire Economic Service, "*Brookmire Sales and Credit Data Sheet*", Vol. XIX, G., Feb., 1930. This table includes states having income taxes in effect for several years, and also other states bordering on West Virginia.

b—Estimated income of West Virginia in millions of dollars for earlier years was as follows: 1921, 679; 1922, 729; 1923, 894; 1924, 728.

It is estimated that for the six months beginning October 1, 1930, income is 23% less than for the corresponding period a year ago and 21% less than for the preceding three-year average. Corresponding declines for the United States as a whole are estimated to be 19% and 17%, respectively. The corresponding estimated percentage declines for adjoining states are:[1]

Kentucky	20% and 19%
Maryland	16% and 17%
Ohio	21% and 12%
Pennsylvania	22% and 17%
Virginia	22% and 25%
West Virginia	23% and 21%
United States Average	19% and 17%

Assuming for the moment that these estimates have approximate validity, we see that West Virginia State and local expendi-

[1]*Brookmire Sales and Credit Map*, Vol. XIX, GA-18, Sept. 30, 1930.

TABLE III—10: ESTIMATED PER CAPITA INCOME OF THE PEOPLE, BY STATES[a]

West Virginia and Bordering States; also States with Income Taxes prior to 1929.

State	1925	1926	1927	1928	1929
Connecticut	$ 789	$ 823	$ 826	$ 875	$ 923
Delaware	555	596	642	648	676
Massachusetts	772	779	774	770	816
Mississippi	280	253	247	246	266
Missouri	572	582	577	579	604
Montana	609	591	646	925	878
New Hampshire	606	623	644	643	629
New York	880	936	968	1,032	1,108
North Carolina	370	380	398	349	349
North Dakota	724	560	652	696	599
Oklahoma	493	485	490	472	470
South Carolina	236	226	237	217	211
Virginia	315	325	356	360	345
Wisconsin	652	732	753	759	788
Ohio	763	790	755	794	858
Pennsylvania	723	784	756	759	822
Maryland	551	587	620	596	636
Kentucky	322	327	316	309	316
West Virginia	494	558	494	464	490
United States	637	664	655	677	716

a—Of course, estimates of income can hardly be more than approximations. They have some value for comparative purposes, however.

These figures were computed from income data supplied by the Brookmire Economic Service, "*Brookmire Sales and Service Data Sheet*", Vol. XIX, G. Feb. 1930 (See Table III-9) and population estimates of the United States Department of Commerce, Bureau of the Census. The figures for West Virginia for the preceding years are: 1921, 679 million dollars; 1922, 729 million dollars; 1923, 894 million dollars; 1924, 728 million dollars. Per capita incomes, 1921, $449; 1922, $474; 1923, $569; 1924, $453.

tures have been taking from 7% to 10% of the total income of the State during the past few years and reached 11% to 13% of the reduced income in this year of drouth and depression. If approximately a half more is added to these figures for Federal taxes, we see that 10% to 15% of the income of the State has been going to the various forms of government during the past several years and somewhere from 16% to 20% during the current depression. After making all due allowances for errors, it is obvious that the average tax burden in West Virginia is not light. In view of a relatively low per capita income, the burden appears to be heavier than in most adjoining states and much heavier than for the average citizen

of the United States, even though total per capita expenditures in dollars might seem to indicate otherwise.

The above estimates are averages. Averages cover many variations below and above the mean. No doubt many concerns and many individuals have been compelled to pay in taxes more than all of net income in some years. In fact, many have no net income some years and still have to pay taxes, while, of course, others pay much smaller amounts than indicated by the above mentioned percentages.

Increasing Demands

Causes of increasing expenditures and increasing tax burdens have already been indicated in the various tables of this chapter. The rapid growth of both state and local expenditures, not only in West Virginia, but in every other state of the Union, is a matter of common knowledge. This increase has been much more rapid than the increase in the assessed values of property and even more rapid than increases in the income of the people. Bond issues, likewise, have increased enormously, necessitating ultimately higher taxes for interest and amortization of principal. Improved roads have been the occasion of the greatest percentage increases, particularly in state expenditures, and education has been the occasion of the greatest increases in local expenditures.

Gasoline taxes, automobile taxes, and bond issues have taken care of most of the increased expenditures for highways; increased levies on property have furnished the bulk of new revenues for education and other purposes. The pressure for additional funds has been so great, however, that tax rates have been raised to very questionable heights in many cases and new and supplementary sources of revenue have been developed as rapidly as possible. Although some of the new taxes have brought in substantial revenues, they have not always been the happiest choices, and practically never have they kept up with the increased demand for services which occasion expenditures. Consequently, in West Virginia, as in nearly every other state, the property tax has been burdened with heavier and heavier loads. It foots the bills for most public expenditures; in fact, it pays three times as much as all other West Virginia taxes combined.

An Old Tax System in a New World

The general property tax is fairly well adapted to a primitive agricultural community where nearly all property is easily discovered and assessed by any one with average qualifications. Where

government carries on very few functions so that taxes are very light, it makes no great difference if assessments and tax contributions are unequal; they do not amount to much any way. But long experience in this country and in Europe has shown that as an agricultural country develops into an industrial country, the administration of the general property tax tends to become worse and worse unless new measures and new methods are constantly applied to adapt it to changing conditions.

It is not difficult, therefore, to understand why the primitive administration of the property tax is not successful here and now. In an industrial country we have, for example, great factories with their specialized and expensive machinery, huge power plants, and large public utilities, not to mention large merchandising chains and others occupying high priced urban land and having intangible good will and going concern values. We have also the corporate form of organization with the ownership of intangible stocks and bonds scattered to the four quarters of the globe. We have further a veritable maze of interlocking corporations including interlocking banks and trust companies international in scope. A vast part of our business is done on credit and equities are often extremely difficult to determine, even by real experts, to say nothing of the helplessness of the average local assessor in the face of such problems.

Unfortunately, West Virginia, like many other states, has been very slow to adapt her tax system to the changed economic situation. Probably everybody in the State knows in a general way that the tax system is not satisfactory. Everybody who stops to think about it knows, also, in a general way, that assessments lie at the base of the system, and that they might be better. But little in the way of remedying such a situation is likely to be done until it becomes very bad and until enough people have some idea of just how bad it is and how it can be cured. In such circumstances, a page of facts is worth a ton of hazy notions and general assertion.

In the next two chapters are given some concrete facts as to tax assessments. Unfortunately, limitations of time and funds have not permitted the investigation of all classes of property; indeed, the facts presented are not exhaustive with respect to any one class. Rather, they are in the nature of samples of a few important classes and are believed to be indicative of the general situation. Following these chapters are others that deal with other taxes and with methods of meeting the outstanding defects of the present revenue system.

Appendix to Chapter III

TABLE III—11: STATE AND LOCAL TAXES IN RELATION TO INCOME OF THE PEOPLE [a]

	Amount of State and Local Taxes in Millions[b]	State and Local Taxes Per Capita[b]	Average Income Per Capita[c]	Ratios of State and Local Taxes to Income
United States[d]	$5,723	$26.14	$655	3.99%
Illinois	344	47.20	890	5.30%
Kentucky	66	25.82	316	8.17%
Maryland	67	41.82	620	6.75%
Massachusetts	278	65.51	774	8.46%
Michigan	278	61.82	843	7.33%
New York	869	76.10	968	7.86%
Ohio	320	47.67	755	6.31%
Pennsylvania	424	43.61	756	5.77%
Virginia	72	28.43	356	7.99%
West Virginia	65	38.10	494	7.71%

a—This table is based upon estimates for 1927, some of which may err considerably. It is thought to be reasonably indicative of the comparative situation, however.

b—National Industrial Conference Board, *Cost of Government in The United States, 1927–1928*, p. 73.

c—See Table III-10.

d—These figures refer to state and local taxes of all states of the Union. Federal taxes are not included.

TABLE III—12: PER CAPITA STATE GOVERNMENT EXPENDITURES

	1928	1927	1926	1925	1924	1915*d*
W. Virginia *a*	$18.05	$16.30	$15.75	$15.46	$15.76	$2.74
Ohio *a*	..	8.09	7.95	7.56	7.16	3.71
Pennsylvania *a*	..	12.12	12.87	12.06	10.30	4.06
Maryland *a*	..	15.57	14.54	15.65	14.00	8.63
Kentucky *a*	..	11.75	11.02	11.07	9.93	3.68
Virginia *a*	..	14.73	12.86	13.49	13.36	4.12
United States aver. for states *b*	..	13.96	13.14	13.28	12.59	5.03
Local expenditures, United States average *b*	..	54.41	52.43	50.52	47.67	19.10*c*
Federal expenditures *b*	..	39.30	33.60	32.63	36.23	7.17*c*
Total State, Local, and Federal *b*	..	102.67	99.17	96.43	96.49	30.84*c*

a—Department of Commerce, *Financial Statistics of States*, 1915, p. 68; 1924, pp. 68, 69; 1925, pp. 66, 67; 1926, pp. 68, 69; 1927, pp. 96–98 and 101–103.

b—National Industrial Conference Board, *Cost of Government in the United States, 1927–1928*, p. 2.

c—Ibid. These figures refer to 1913. Average state expenditures for 1913 were $3.97.

d—Except as noted in (*c*).

TABLE III—13: PER CAPITA EXPENSES OF STATE GOVERNMENT, 1927 [a]

	Kentucky	Maryland	Ohio	Pennsylvania	Virginia	West Virginia	U. S. Av.
General Government	$1.25	$1.45	$ .46	$ .69	$ .79	$ .98	$ .85
Protection to Persons and Property	.25	.62	.39	.66	.38	.67	.55
Develop. and Conservation of Natural Resources	.41	.52	.37	.51	.41	.38	.55
Conservation of Health and Sanitation	.12	.54	.09	.31	.33	.31	.24
Highways	1.03	2.45	1.98	1.23	2.04	1.38	1.46
Charities, Hospitals, Corrections	.95	1.79	1.29	1.49	1.28	1.13	1.65
Education	2.97	3.90	1.42	3.17	3.63	2.80	3.81
Recreation	.01	.01	.01	.07	*b*	*b*	.03
Miscellaneous	.12	.10	.27	.49	.51	.06	.42
Total All General Departments	7.11	11.37	6.28	8.51	9.38	7.70	9.55
Payments for Interest	.24	.89	.15	.42	.30	1.49	.67
Expenses of Public Service Enterprises	..	.09	.02	.01	..	..	.08
Outlays	4.40	3.22	1.64	3.18	5.04	7.11	4.42
Grand Total	$11.75	$15.57	$8.09	$12.12	$14.73	$16.30	$14.72

a—U. S. Dept. of Commerce, *Financial Statistics of States*, 1927, pp. 60, 61, 96-98.

b—Less than one cent.

TABLE III—14: PER CAPITA EXPENDITURES, WEST VIRGINIA [a]

The following table shows a per capita distribution of expenditures for the last sixteen fiscal years:

FOR WHAT PURPOSES	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Education	1.135	1.431	1.231	1.377	1.522	1.576	2.021	3.137	3.065	3.408	3.856	3.906	3.674	3.822	3.605	4.050
Boys and Girls' Industrial Schools and the Deaf and Blind	.098	.150	.141	.124	.131	.171	.115	.103	.136	.300	.197	.199	.177	.228	.181	.161
Hospitals	.372	.476	.452	.494	.585	.654	.723	.667	.603	.729	.974	.843	.909	.975	1.050	.997
Children's Homes	.021	.000	.018	.019	.029	.045	.032	.041	.067	.056	.055	.065	.067	.068	.064	.059
Courts and Law Library	.110	.106	.099	.098	.099	.134	.135	.159	.136	.141	.137	.138	.129	.138	.137	.147
Criminal Charges, Lunatics in Jail	.060	.054	.044	.044	.032	.042	.062	.056	.119	.097	.072	.064	.087	.065	.073	.077
Militia and Law and Order	.065	.052	.062	.007	.001	.007	.000	.048	.033	.030	.036	.061	.061	.073	.072	.098
West Virginia State Penitentiary	.132	.136	.126	.119	.140	.153	.191	.140	.179	.191	.161	.229	.227	.257	.267	.243
Maintenance of Capitol Buildings, Mansion and Grounds	.023	.025	.025	.027	.036	.033	.183	.061	.035	.030	.039	.050	.040	.043	.050	.048
State Elective Offices and Depts.	.121	.115	.114	.164	.179	.227	.217	.258	.267	.231	.230	.230	.220	.221	.240	.250
State Appointive Offices, Commissions and Boards	.256	.285	.288	.274	.307	.377	.415	.499	.542	.582	.607	.615	.594	.652	.680	.669
Huntington Armory	..	..	..	..	..	..	..	..	..	.026	..	..	..	..	..	..
Packing House	..	..	..	..	..	..	..	.017	.010	.009	.004	.005	.004	.005	.004	.015
4-H Fair	..	..	..	..	..	..	..	..	..	.048	.047	.028	.022	.031	.037	.019
Insurance on Public Buildings	.023	..	.001	.027	.005	.013	.025	.040	.033	.051	.049	.054	.072	.032	.070	.071
Agricultural Experiment Station	.058	.052	.053	.067	.066	.088	.119	.126	.122	.096	.103	.116	.124	.135	.132	.136
Geological and Economic Survey	.036	.028	.017	.014	.013	.037	.035	.041	.030	.026	.019	.029	.015	.028	.026	.023
Printing, Binding and Stationery	.045	.054	.060	.050	.082	.079	.132	.091	.085	.053	.067	.053	.080	.054	.088	.069
Civil Contingent Fund	.035	.024	.022	.013	.008	.009	.009	.008	.008	.004	.007	.016	.013	.010	.015	.011
Refunds and Transfer	.011	.005	.008	.009	.005	..	..	..	..	..	..	..	..	..	..	.338
Extraordinary Purposes	.037	.042	.006	.006	.023	.022	.033	.067	.074	.100	.078	.093	.081	.037	.048	.059
Miscellaneous	.030	.014	.022	.006	.001	.012	.031	.007	.018	.010	.040	.018	.033	.105	.027	.026
West Virginia Legislature	.082	.002	.089	.001	.116	.019	.213	.041	.119	.012	.195	.041	.171	.041	.174	.109
Total	2.75	3.06	2.88	2.94	3.38	3.70	4.69	5.61	5.68	6.23	6.97	6.853	6.790	7.010	7.040	7.675
State Road Commission	..	..	..	.045	.25	.860	1.175	3.19	6.87	10.04	10.31	10.71	10.688	13.310	8.923	13.320
Virginia Debt	..	..	..	..	.76	.451	1.403	.45	1.57	.19	.47	.490	.221	.465	.829	.388
Public Safety	..	..	..	..	..	.065	.142	.29	.27	.24	.25	.312	.266	.274	.268	.262
New Capitol and Mansion	..	..	..	..	..	..	..	.07	1.27	.22	.67	.075	.475	.348	.060	.056
War Fund, Federal and State	..	..	..	.085	.15	.026	.009	..	..	..	..	..	..	..	..	..
Grand Total	2.75	3.06	2.88	3.07	4.54	5.10	7.42	9.611	5.66	16.92	18.67	18.43	18.44	21.41	17.12	21.70

a—From "Advance Sheets" p. 31, released by the Department of the State Tax Commissioner, Dec. 21, 1930.
$477,240.00 was expended after July 1, 1929 for State Aid to Local School Districts, when expenditure is chargeable to the preceeding year. With this amount included, the per capita for education for the year 1929 would be increased 27 cents and total $3.87, and for 1930 would be 27 cents less, or $3.78.
Grand total per capita includes expenditure of state road bonds.

TABLE III—15: AVERAGE PER CAPITA NET INDEBTEDNESS OF STATE GOVERNMENTS [a]

STATE	1927	1926	1925	1924	1923	1922	1915
United States[b]	$11.55	$10.88	$10.42	$10.64	$8.72	$8.12	$4.31
Illinois	19.33	19.39	18.41	14.91	3.67	1.91	.35
Kentucky	.99	.92	.99	.93	1.02	1.01	1.03
Maryland	14.99	14.28	14.22	14.94	15.39	14.76	10.25
Massachusetts	5.21	5.69	6.08	16.91	14.30	19.12	23.52
Michigan	16.86	17.48	19.86	18.42	16.69	12.80	2.30
New York	21.50	19.81	20.55	20.29	16.87	17.52	12.73
Ohio	2.87	3.18	3.86	4.22	4.80	4.96	1.04
Pennsylvania	9.56	8.78	7.02	5.26	5.35	5.45	.04
Virginia	10.52	10.07	10.76	9.99	8.36	8.96	11.26
West Virginia c	30.62	28.85	24.18	23.03	17.40	15.97	..

a—United State Department of Commerce, *Financial Statistics of States*, 1922, pp. 74, 75; 1923, pp. 130, 131; 1924, pp. 128, 129; 1925, pp. 122, 123; 1926, pp. 124, 125; 1927, pp. 116, 117.
b—The average state indebtedness throughout the United States was $2.97 in 1913.
c—The average per capita state net debt in West Virginia was $32.27 in 1928. See Table III—8, p. 46.

TABLE III—16: COMBINED STATE AND LOCAL BONDED INDEBTEDNESS, PER CAPITA

STATE	1927a	1926b	1925c	1924	1923	1922d	1913c
United States	$98.96	$91.62	$85.50	...	...	$66.10	$33.11
Illinois	66.12	59.29	57.42	...	...	32.27	14.98
Kentucky	23.22	21.01	18.37	...	...	15.55	10.94
Maryland	119.37	107.54	95.88	...	...	78.20	43.40
Massachusetts	88.36	86.16	85.13	...	...	74.32	72.75
Michigan	133.36	117.95	110.36	...	...	76.77	15.82
New York	176.18	164.15	155.36	...	...	142.98	103.43
Ohio	105.04	101.46	102.00	...	...	90.02	41.33
Pennsylvania	95.66	88.27	77.22	...	...	56.20	27.89
Virginia	62.13	61.53	57.89	...	...	47.63	27.90
West Virginia	75.35	69.81	66.72	...	...	44.03	6.67

a—National Industrial Conference Board, *Cost of Government in the United States, 1927–1928*, pp. 50, 51.
b—National Industrial Conference Board, *Cost of Government in the United States, 1926–1927*, pp. 50, 51.
c—National Industrial Conference Board, *Cost of Government in the United States, 1925–1926*, pp. 60, 61.

TABLE III—17: RATIO OF COMBINED STATE AND LOCAL BONDED DEBT TO WEALTH [a]

(Per Cent)

STATE	1927	1926	1925	1922	1913
United States Average	3.56	3.21	2.83	2.31	1.75
Illinois	2.09	1.83	1.70	.98	.58
Kentucky	1.58	1.40	1.17	1.07	1.14
Maryland	4.54	3.98	3.36	2.93	2.65
Massachusetts	2.72	2.58	2.40	2.28	4.09
Michigan	4.94	4.19	3.64	2.65	.93
New York	5.23	4.77	4.32	4.15	3.94
Ohio	3.60	3.35	3.16	2.95	2.34
Pennsylvania	3.07	2.75	2.28	1.76	1.40
Virginia	3.05	2.93	2.60	2.32	2.53
West Virginia	2.58	2.31	2.08	1.45	.36

a—National Industrial Conference Board, *Cost of Government in the United States, 1927–1928*, pp. 46, 47, *1926–1927*, pp. 50, 51, *1925–1926*, pp. 60, 61.

TABLE III—18: ESTIMATE OF THE RECEIPTS OF THE "STATE FUND, GENERAL REVENUE," FOR THE YEAR ENDING JUNE 30, 1931[1]

The following is an estimate of the revenue that will be available for the year ending June 30, 1931, for the payment of appropriations which are available out of "General Revenue."

State tax 10 cent levy on real and personal property	$ 1,325,000.00
State tax 10 cent levy on public service corporations	550,000.00
State license tax on charters	1,050,000.00
Land tax, excess acreage, paid by corporations	5,000.00
Collateral inheritance tax	750,000.00
Tax on insurance and certificates of authority	800,000.00
Privilege tax on business and professions—gross sales	3,350,000.00
Fees accruing—Auditor's office	125,000.00
Fees accruing—Secretary of State's office	22,000.00
Fees accruing—Commissioner of Banking's office	30,000.00
Fees accruing—Clerk of Supreme Court	10,000.00
Fees accruing—Department of Agriculture	7,000.00
Sale of Books, Acts and Court Reports	5,000.00
Tax on Seal	4,000.00
Statutory attorney fees	20,000.00
Permit, or license fees, Prohibition	40,000.00
Fees Pharmacy Board	2,000.00
Miscellaneous	5,000.00
Total estimate "General Revenue" receipts for the year ending June 30, 1931	$ 8,100,000.00

[1]Advance Sheets from Department of State Tax Commissioner, p. 33, released Dec. 21, 1930.

The above is classified as follows:

Revenue by Direct Levy	$ 1,875,000.00
Revenue from Other Sources	6,225,000.00
Total	$ 8,100,000.00

The advance sheets of the Department of the State Tax Commissioner, pages 15-19, released December 21, 1930, show "that the State began the present fiscal year, July 1, 1930, with a deficit of $662,000 and will finish the present fiscal year, July 1, 1931, with a deficit of $1,697,000.

"On page 33 of the same release is an estimate of the receipts for the current year, $8,100,000. The receipts for each of the next two years are estimated the same as for the current year, with the exception of the Gross Sales Tax. It is believed that business conditions will sufficiently improve to make this tax yield $3,500,000 instead of $3,350,000. This would make the receipts for each of the next two years, 1932 and 1933, $8,250,000. Hence the estimated revenue for the next two years may be stated as follows:

ESTIMATE FOR NEXT TWO YEARS, 1932 AND 1933

Estimated Receipts, 1932	$ 8,250,000.00
Estimated Receipts, 1933	8,250,000.00
Total for 2 Years	$16,500,000.00
Less Deficit July 1, 1931	1,697,091.00
Available for Next 2 Years	$14,802,909.00
Available for Each of Next 2 Years	$ 7,400,000.00

"On page 34 of the same release is an estimate of the disbursements for the current year which total $8,809,191. This is the entire amount appropriated for the current year except $350,000 as State Aid to local schools, appropriation being $1,250,000, but only $900,000 will be required to meet this year's apportionment. It will be observed that the total appropriation of $8,809,000 includes $891,250 for buildings and land and $666,500 for repairs and improvements."[1]

[1]Adapted from statement of E. A. Dover, Chief Accountant, Dec. 18, 1930.

Chapter IV

ASSESSMENT OF COAL PROPERTIES

Methods Followed in Conducting Study

NINE typical coal properties in various parts of the state were selected for study in this report, in order to compare the assessed value with the appraised value of each property to ascertain the trend of this ratio in various counties. The assessed values of the properties were obtained from the offices of the assessors; and the appraised values of all the properties, except one, were obtained by a physical appraisal of each property.

In the case of the Gilbert-Davis Coal Company the assessed values were obtained from the assessor's office; and the appraisal values were taken from the appraisal of this property, ordered by the District Court of the United States for the northern district of West Virginia in the case of bankruptcy of the company. The appraisal was made by three prominent mining operators in northern West Virginia. The assessed and appraised values of this property were compared and are presented in a tabular form similar to the tables of the other properties studied.

In addition to the appraisal studies of the properties, methods of assessing coal properties in many counties were determined by consultations with the county assessors. Comparisons of data taken from various tax returns, on file at the offices of assessors, were also made to point out important facts regarding methods of assessment.

In making this study of the methods and procedure used in assessing coal lands and coal mines in the various counties of West Virginia, one of the first things done was to visit the assessors in the principal coal producing counties of the state and ascertain the method each one followed in assessing coal properties in his respective county. It was found that some counties had definite standards set up, which were used for assessing coal properties, while other counties had no definite plan but left the method of making assessments to the assessor. Where no standards are used for assessment purposes, the assessor, presumably, has to determine from the best sources of information within his reach the true value of each tract of coal property he assesses.

The appraisal of coal property values is indeed a very complicated matter, which must take many factors of engineering and

experience into consideration. It is necessary, therefore, in order to properly appraise coal properties, to have the services and advice of a mining engineer. In most of the counties, however, there is no scientific or systematic method of assessing coal properties. The assessors often use certain general rules in making their assessments, but even these rules are changed from time to time by the Board of Equalization and Review, which often grants new rates of assessment to companies appearing before them and this procedure alters the schedules for the whole county. Therefore, it goes without saying, that the methods of assessing coal properties in many counties are far from being on a satisfactory basis.

Summary of Methods of Assessment

A summary of the methods of assessing coal properties used by the assessors in the various counties follows:

Boone County

Values are placed on coal properties for assessment purposes by the assessor. No schedule such as the Krebs or Hallanan plan is used in determining values in this county. The average value of tracts owned in fee is about $45.00 an acre, and the average value of surface only for assessment purposes is $10.00 an acre. The average value for oil and gas assessments is $13.00 an acre. The maximum value placed on tracts owned in fee and underlaid with coal, oil and gas is $65.00 an acre; the minimum value placed on tracts owned in fee with coal as the only mineral is $23.00 an acre.

Brooke County

Pittsburgh—No. 8 Coal

In this county if the Pittsburgh coal seam is worked it is assessed at $74.00 an acre. If the coal has never been developed it is assessed at $50.00 an acre.

Upper Freeport

If the coal has been sold as a mineral right it is assessed at $1.00 an acre.

Fayette County

In Fayette county there are two series of the coal measures: namely, the Kanawha Series and the New River Series.

In the western part of the county the Kanawha Series are present and the principal seams mined are the

No. 2 Gas Seam
Powellton Seam
Eagle Seam.

In the eastern part of the county the New River Series are present and the principal seams mined are the

Sewell Seam
Fire Creek Seam.

Most of the coal mined in this county is Sewell Coal.

In the Kanawha Series of this county coal is assessed at $30.00 an acre. This is the assessment on the surface underlaid with coal and includes all seams. Thus if two seams underlie the property it does not change the assessment of $30.00 an acre.

In the New River Series assessment amounts up to $50.00 an acre for all or any seams as the seams are not assessed separately. The assessment on surface and coal amounts from $20.00 to $50.00 an acre.

The bulk of the coal in this county is owned in fee. Some agreements with the land companies, who own the surface and coal, obligate the mining companies to pay the taxes on the property, while in other cases the taxes are paid by the land companies.

The important thing to note in this county is that all assessments are on the surface and not on the coal. The coal is included in the surface assessments and the assessments on property underlaid with coal vary from $20.00 to $50.00 an acre. The minimum assessments on coal lands as a rule are about $40.00 an acre but on very small inaccessible tracts the assessments are as low as $20.00 an acre.

The assessments in this county are always made on the total number of acres of surface in the tract or lease and are adjusted for depletion of the coal.

In Fayette county the surface and coal are assessed together even after the coal is mined out. The assessment varies from a minimum to a maximum depending on type, accessibility, quantity and quality of the seam. Land assessments in this county are about $10.00 per acre.

Harrison County

In this county all the assessed coal is the Pittsburgh seam. For assessment purposes the first 500 acres is classed as developed coal and assessed at $300.00 per acre; the next 1,000 acres, at $200.00 per acre; the next 2,000 acres, at $150.00 per acre; and the remaining acreage at $50.00 an acre.

In this county all the mining at present is done by drift mines.

Kanawha County

In Kanawha county assessments on coal lands are made on individual leases. There is no set or standard scale used for different acreages or seams. Usually the taxes are paid by the land companies who charge it back to the mining company. This depends, however, on the terms of the lease.

The average value of coal lands for assessment purposes varies from $20.00 to $60.00 an acre. Inaccessible coal in this county is given only a nominal value, not over $25.00 an acre.

Logan County

In this county the Krebs or Hallanan plan is also used as a basis for assessment values, but deviations from the plan are made depending on certain conditions.

The average assessment value for the best tracts of coal is $82.00 an acre and the lowest rate on workable seams and on inaccessible coal is $35.00 an acre. No allowances are made for mined out coal. No account is taken of the number of seams of coal in a property. In general it can be considered that there is about one good seam of coal in a given property in this county.

McDowell County

This county values all coal for assessment purposes in accordance with the modified Krebs or Hallanan plan. Deductions on assessed values for depletion of coal or worked out areas are allowed by the assessor every third year only. Most of the other counties allow depletion reductions yearly.

McDowell county applies a flat increase of 50 per cent to all valuations to meet its budget requirements. Thus, coal property valuations based on the modified Krebs plan are subjected to an increase of 50 per cent for assessment purposes.

Marion County

Pittsburgh Seam

The first 500 acres in a tract is assessed at $360.00 per acre; the next 500 acres is assessed at $170.00 per acre; and the remainder is assessed at $85.00 an acre.

All the mines on the Pittsburgh seam in the county are shaft mines, so the above values apply to shaft mines only.

Marshall County

Pittsburgh—No. 8 Coal

If the coal seam is worked it is assessed as follows:

First, one hundred acres are assessed at $125.00 an acre.

Next, three hundred acres are assessed at $100.00 an acre.

All the remaining coal in the tract is assessed at $25.00 an acre.

The undeveloped coal of the county is divided into two general divisions; namely, the river division, which is composed of the following districts which border on the Ohio River: Union, Washington, Clay, and Franklin; and the non-river division composed of the other five districts of the county: Liberty, Meade, Sand Hill, Cameron, and Webster.

The coal in the river division is assessed at $25.00 an acre and the coal in the non-river division is assessed at $15.00 an acre.

In this county a few tracts of Sewickley and Upper Freeport coal have been transferred as mineral rights and are assessed at an average of $1.00 an acre.

Mercer County

In this county practically all the coal is owned by a large land holding company and is valued for assessment purposes in conformity to the modified Krebs or what is sometimes known as the Hallanan plan. All other coal is also valued for assessment purposes in accordance with this plan except some very poor quality coal in inaccesible small tracts which is valued as low as $12.00 an acre.

The land company pays taxes on all land owned by it and then bills the leasee for the amount of the taxes.

Mingo County

In Mingo county no standards for determining assessment values are used, but each tract has its assessment placed on it by the assessor. Most of the coal in the county is owned in fee and is assessed at about $36.00 an acre, whether developed or undeveloped.

All mined out areas of coal if shown on a mine map, supported by an affidavit of the company's engineer, are considered depleted coal areas and are then assessed at $10.00 an acre.

The surface over most of the coal area in this county is assessed at $5.00 an acre. In most cases the company leasing the coal, and not the land company, pays the taxes as is the custom in some other counties.

No deductions are allowed for shaft mines because there is only one small shaft in the county. No account is taken of the number of seams underlying a property for assessment purposes. If a property has coal and timber on it the assessment value is raised $5.00 to $7.00 an acre. The maximum value placed on coal property for assessment purposes is $39.60 per acre.

Monongalia County

Pittsburgh Seam

For drift or slope mines the first 100 acres of developed coal is assessed at $650.00 an acre. All acreage over 100 acres is assessed at $250.00 per acre, except very inaccessible tracts of coal. Inaccessible tracts are assessed less than this amount but not lower than $60.00 per acre.

There are no shaft mines in the Pittsburgh coal in this county so no allowance needs to be made for them.

Sewickley Seam

If drift or slope mines, the first 100 acres of developed coal is assessed at $240.00 per acre. All acreage over 100 acres is assessed at $60.00 per acre. Shaft mines are assessed at $100.00 per acre for the first 100 acres of developed coal. All acreage over 100 acres is assessed at $60.00 per acre. Mined out areas are assessed approximately at $1.00 per acre.

Waynesburg—Upper Freeport—
Kittanning Seams

If the coal is owned by the owner of the surface, and the coal seam has not been sold as a mineral right or has never been worked, no value is placed on it for assessment purposes. If the coal seams have been worked or sold as a mineral right, it is assessed on an average as follows:

Waynesburg coal,	from $5.00 to $10.00 an acre.
Upper Freeport,	from $1.00 to $30.00 an acre.
Kittanning coal,	from $1.00 to $10.00 an acre.

Most of the Waynesburg coal is assessed at approximately $5.00 an acre. Most of the Kittanning and Upper Freeport coal is assessed at approximately $10.00 an acre.

Ohio County

All the coal in this county is assessed at $37.50 an acre, irrespective of whether it is developed, undeveloped, accessible or inaccessible, or of any other condition.

Preston County

In Preston county, coal is classified in zones for purposes of assessment. The zones classify the coal according to its accessibility.

Zone No. 1 includes coal that is situated near a railroad and this coal is assessed at the highest rate, about $80.00 an acre. The rate varies, however, and one company is assessed as high as $150.00 an acre for coal in this zone.

Zone No. 2 includes coal that is situated from a mile to two and one-half miles away from a railroad and the coal in this zone is assessed at $50.00 an acre, although one company is assessed as high as $75.00 an acre.

Zone No. 3 is classed as inaccessible coal and includes all coal acreages not included in Zones Nos. 1 and 2. This coal is assessed at different rates varying from $15.00 to $40.00 an acre.

The coal seams in this county are the Bakerstown and the Upper Freeport. The Upper Freeport coal is usually assessed $5.00 an acre higher than the Bakerstown coal.

Raleigh County

The assessments on coal lands are always made on the total acres in a property or tract, including the surface and all minerals, and account is then taken of depletion, number of seams in the tract, quality of coal and other factors.

The assessed values on tracts containing coal seams vary from $40.00 to $100.00 per acre. Very small inaccessible tracts are assessed as low as $20.00 an acre.

In Raleigh county the land holding companies are assessed and they pay the taxes but pass the amount of them on to the mining companies.

Randolph County

"There is no standard table or rule used in the assessment of coal lands in this county. . . . Mines that are in active operation always turn in the acreage mined during the year and we reduce the value according to the surface. Of course, there is a difference in surface values, as some times the surface may be good farm land, or it may have timber of considerable value and the price is fixed accordingly."[1]

Tucker County

"In Tucker county, we have no fixed standard in the valuation of coal lands or personal property. On personal property the value is arrived at what is considered its true and actual value, which of course can not be the same on all property of the same class.

"Where coal land is owned in fee, it is valued on a surface basis per acre and is governed by the quality, location as to the cost of mining, etc. Allowances are made for mined out areas on the basis of the value per acre as charged."[1]

Wyoming County

In this county the modified Krebs or Hallanan plan is used for coal property assessment purposes, but values calculated from the table are increased from ten to twenty per cent, depending upon the district in which the property is situated.

Practically all the coal in this county is owned by large land holding companies.

No Uniform Plan of Assessment Formulated

The summary of the methods used for assessing coal properties in the various counties points out that no generally acceptable state plan of valuation for assessment purposes has been formulated. Each county has evolved a scheme of mineral taxation for its own use, designed primarily to meet its budget requirements, but giving little or no attention to the plan from the standpoint of equitable valuations between counties. Everyone agrees that accurate and not haphazard valuations should be the measuring stick in all appraisal work, but in the case of coal properties the difficulty lies in accurately measuring these values. They can not be reduced to an actuarial calculation because there are so many variable and uncertain factors involved. For this reason, it seems

[1]Personal communication.

that anything that can be done to bring about uniform methods of assessment would be of great importance in the solution of the assessment problem.

The local assessors, with the incomplete data they have at hand in many cases, are unable to determine proper appraisal values of many coal properties and are obliged to rely almost solely upon the tax return, as submitted by the mining company, for such data as they must have for assessment purposes. It is needless to state that this method, for valuation purposes, is bound to be unsatisfactory, and injustices are very apt to and do arise between property owners within the same taxing district. All of this points out the fact that if more equitable valuations are to be made, the local assessors must have more definite information and instructions to guide them in their work.

Need of Assessment Manual

More uniformity in assessment methods throughout the state would undoubtedly be brought about if the assessors had an assessment manual to guide them. This manual could be devoted to the fundamentals of coal property valuation and should contain suggestions or rules for appraising various kinds of coal property and equipment. An assessment manual containing published sets of standards and rules for valuations, together with the agreements and policies reached by the assessors in their meetings, would give them backing in determining values and making assessments on different classes of coal properties and would also be a great aid to them in administering the tax laws of the State.

It is obvious that in West Virginia, where there are so many different ranks and grades of coal and so many variations, thicknesses, and character of coal seams, together with different mining conditions in various sections of the state, all these differences must be recognized in making proper appraisals for tax purposes and to properly appraise them is a task for a mining engineer. It is too much to expect local assessors to be valuation engineers. They are trying to do the best they can under the circumstances but with little to guide them in the way of mining experience, in many cases, or knowledge of the principles of coal property valuation, it seems that an assessment manual properly written would help them a great deal in their work.

An assessment manual could be prepared by the Tax Commissioner after consultations with the coal operators and local assessors

in the various coal fields of the state. Probably it would be well in preparing a manual such as this to employ some consulting mining engineers who are experts on valuation work. In these conferences, agreements could be reached as to how the coals of the state should be classified as to quality; recoverable tonnages per acre; what basis should be used to determine accessible and inaccessible coals. Standards of valuation for personal property and many other factors that affect coal land appraisals in the State could be evaluated. From these conferences an assessment manual could be written containing a series of definite and concise instructions, so that every local assessor by its use would be able to make coal property valuations that would be more satisfactory to himself and more equitable from the standpoint of all operators.

As an example, to show how the method of having companies submit their tax returns to the assessor with no subsequent inspection of the property by him works out, let us examine two tax returns of personal property, obtained at an assessor's office, submitted this year by two neighboring or practically adjacent coal companies, situated in the northern part of the State.

Table IV—1: Mine A

Return of Tangible Personal Property

ITEM	Number	Value reported to Assessor by Company	Assessed Value
Horses	5	$ 500	$ 500
Mules	9	900	900
Wagon	1	10	10
Mine Cars	140	2,800	2,800
Ford Automobiles	2	30	30
Locomotives	3	1,600	1,600
Scales	1	10	10
Tools	..	50	50
Ropes	..	10	10
Store Goods	..	1,296	1,296
Store Equipment	..	200	200
Office Equipment	..	300	300
Lumber	..	50	50
Props	..	100	100
Pumps	..	200	200
Harness	..	180	180
Pipe Lines	..	90	90
Electrical Equipment	..	1,500	1,500
Loading Machine	..	200	200
Mining Machine	..	1,200	1,200
Fan	..	100	100
Cook's Equipment	..	10	10
Oil and Grease	..	25	25
Safety Lamps	..	250	250
Total	..	$11,611	$11,611

All values submitted by the company were accepted by the assessor.

TABLE IV—2: MINE B

RETURN OF TANGIBLE PERSONAL PROPERTY

ITEM	Number	Value reported to Assessor by Company	Assessed Value
Horses	..	$ 200	..
Wagons	..	20	..
Mine Cars	..	3,750	..
Locomotives	..	8,000	..
Scales	..	200	..
Tools	..	2,000	..
Ropes	..	1,000	..
Office Fixtures	..	25	..
Machinery, Miscellaneous	..	5,000	..
Pumps	..	1,500	..
Lumber	..	100	..
Total	..	$21,795	$43,590

The assessor multiplied the total value of the personal property return of Mine B by two, to obtain the assessed value.

The tax return of Mine B was incomplete because the number of the various items of property was not listed. The assessor doubled the total value of the property as submitted by the company for assessment purposes.

From a previous inspection of this property it was known that the company had about 380 three-ton wooden mine cars, two thirteen-ton mine locomotives and six six-ton locomotives. The assessor's values from these two tax returns are compared in the following table:

COMPARISON OF ASSESSED VALUES OF THE TWO MINES A AND B

ITEMS	For Assessor's Use Value by Assessor Mine A	For Assessor's Use Value by Assessor Mine B
Mine Cars (each)	$ 20.00	$ 19.74
Mine Locomotives	533.33	2,000.00

This table shows that the assessed values of mine cars are in line at the two companies, but the assessed values of mine locomotives are very much out of line. Such discrepancies in assessments would be largely eliminated if companies were compelled to make out their returns in more detail and if the annual returns of taxable property as submitted by the mining companies were checked up at intervals

by actual inspections of properties, either by the assessor or by some person designated by him.

Comparisons made in a similar manner between two adjacent mines in a county in the southern part of the State show the following variations in assessed values.

COMPARISON OF ASSESSED VALUES OF THE TWO MINES C AND D

ITEMS	For Assessor's Use Value by Assessor Mine C	For Assessor's Use Value by Assessor Mine D
Ponies	$ 25.00 each	$20.00 each
Mules	19.50 each	30.00 each
Mine Locomotives	2,500.00 each	750.00 each

Here again there are inequalities between the various items assessed, and especially a great difference between the assessed values of mine locomotives at the two properties.

The table on page 70, assembled from data taken from all the mines studied, points out the inequalities of assessing personal property at the different mines by showing the ratio of the assessed value to the appraised value of various classes of property.

It will be seen from the table that tipples are assessed from 17.3 to 85.7% of their value; mine locomotives from 15.4 to 66.3% of their value; mine cars from 18.8 to 111.1% of their value; mining machines from 10.6 to 51.4% of their value, etc. These are just a few examples of various classes of personal property, but they show conclusively that assessed values vary considerably on the same class of equipment in various sections of the State.

Standard values for assessing different classes of property have been set up by some counties and this method seems to work out very well. It should be pointed out here, however, that standardization connotes rigidity and this is a hazardous matter in valuation work if carried to extremes. It is obviously impossible to set standard values for all classes of equipment, but where certain standard values can be set for certain classes of equipment, it is well to do so because such figures serve as a gauge for the assessor. The table on page 71 shows some of the standards set up in various counties and used by the assessors. This plan seems to work out very well for both the assessor and the property owner. It is a very good guide for the assessor to follow and it is an assurance to the property owner that he and his neighbor are being equitably assessed on the same class of property. Where this plan is followed it works out very satisfactorily.

Table IV—3: Plant Equipment Valuations Compared

ITEM	Ratio Assessed Value / Appraised Value in Percentages								
	Mine No. 1	Mine No. 2	Mine No. 3	Mine No. 4	Mine No. 5	Mine No. 6	Mine No. 7	Mine No. 8	Mine a No. 9
Tipples	85.7	25.6	..	40.0	29.6	17.3	..	..	..
Mine Locomotives	63.2	27.9	27.6	19.7	27.2	66.3	15.4	45.1	59.1
Mine Cars	111.1	93.9	60.9	44.4	100.0	57.0	18.8	62.5	33.7
Mining Machines	51.4	40.0	21.8	21.3	40.0	41.6	30.6	10.6	..
Sub-stations and Equipment	73.7	50.0	..	69.5	50.0	94.4	..	80.0	74.5
Steel Rails	225.0	138.3	50.0	13.9	67.5	62.1	10.4	50.0	7.9
Copper Wire	94.8	127.4	86.4	64.5	97.1	64.9	32.5	64.5	107.1
Pumps	51.1	5.1	24.5	66.0	20.2	46.9	..	33.0	36.7
Mules	114.3	75.0	50.0	35.6	..	50.0	..	..	153.8
Horses	..	..	60.0	..	..	..	40.0	..	200.0

a—Gilbert-Davis Coal Company.

Table IV—4: Standards for Assessing Personal Property in Each County

Item	Units Valued	Boone	Brooke	Fayette	Harrison	Kanawha	Logan	McDowell	Marion	Marshall	Mercer	Mingo	Monongalia	Ohio	Preston	Raleigh	Randolph	Tucker	Wyoming
Horses	Each	No Standards are Used	No Standards are Used	$40	No Standards are Used	No Standards are Used	No Standards are Used	$100	No Standards are Used	No Standards are Used	$100	$100	No Standards are Used	No Standards are Used	$50	..	No Standards are Used	No Standards are Used	No Standards are Used
Mules	"			$40				$ 75			$ 75	$100			..	..			
Wagons	"			..				$ 50			..	..			$50	..			
Mine Cars (Wood)	"			$20				Large-$60 Small-$40			$40	$20			$20	$20			
Mine Cars (Steel)	"			$20				Large-$60 Small-$40			$40	..			$20	$40			
Locomotives	Each & Type			$1000				0-10T-$1500 10-15T-$2000 15T Up-$2500			6-T$2500 Larger are more	$1000			$1000	$750			
Pumps	Each & Type			..				40% of Cost			..	..			$100	$100			
Copper Wire	Pound			10c				10c			10c	..			..	7c to 10c			
Rails	Ton			$5				$20			$20	$20			..	$10			
Pipe	Feet			..				50c			..	..			..	..			
M. G. Sets & Convertors	K. W.			$10				$25			$30	$10			..	..			
Mining Mach. Breast	Each			$800				$800			$500	$1000			$800	$700 to $750			
Mining Mach. Shortwall	"			$800				$1500			$2000	$1000			$800	$700 to $750			
Mining Mach. Arowall	"			$800				$1500			..	$1000			$800	$700 to $750			

Plan Used as Basis of Valuation of Real Estate

In selecting a basis for appraising the coal properties examined in this study, two principal methods presented themselves, namely:

The net profits plan, and

The ad valorem plan based on the appraised value of coal in the ground.

The net profit plan has much to recommend it but in West Virginia where many counties rely chiefly on the mining industry as a source for most of the taxes, any serious depression in the coal business, such as we have at the present, would cause a severe downward fluctuation in revenue, unless the tax rate were flexible. If the tax rate were flexible it would be very difficult to adjust it so as to keep valuations equitable and balanced when one industry was in a depressed condition. For instance, whenever the coal industry was in a depressed condition and its net profits consequently low, in counties relying chiefly on coal for taxes, the tax rate would have to be increased, but if business in other industries were normal it might be difficult to adjust the rate so that it would be equitable for all the industries.

In the short time allotted for collecting the data for this study it would have been utterly impossible to have based valuations on the net profits plan; and as the ad valorem plan is the basis, by law, for valuation purposes, all over the State, it was necessary to use this system for appraising all the properties examined.

It is very difficult to appraise accurately any mine because there are so many speculative factors involved in such work. In making this study, after consultations with the county assessors and by examining the records of sales of coal properties, it was found almost impossible to establish property values by prices paid for coal lands, because the deeds or instruments of conveyance rarely state the actual price paid. Then again, actual sales prices for coal properties even if available can not always be depended upon as a fair criterion for placing values on neighboring lands, because coal property prices are frequently influenced by particular circumstances, not evident on the face of the transaction. For example, a small tract of coal land might block off a large tract of coal from a desired outlet on a railroad or a river and on account of its advantageous position, it commands a higher price than adjoining properties. Thus, prices that might be paid for obtaining certain advantages would usually be unfair if employed

as criteria for establishing general property values in a given locality. Other factors similar to this enter into many transactions in the sale of coal properties and, therefore, before any sales price could be used for valuation purposes all the factors concerning the transaction should be known.

Basis of Valuation of Coal Lands

In the absence of sales values which, as stated before, were almost impossible to obtain it was decided in this study to set up some tables as a guide in the appraisal of the coal properties. The foundations, therefore, upon which all the coal land appraisals were made, are these tables which were considered fair values for assessment purposes. The method used in devising the tables was that set up by Mr. Charles E. Krebs, of the firm of Clark & Krebs, Inc., Consulting Mining Engineers of Charleston, West Virginia. This plan, known as the "Krebs" or "Hallanan," plan resulted from a series of meetings, called by Mr. W. S. Hallanan, in 1922, when he was State Tax Commissioner, between coal operators in different sections of the State and representatives from the Tax Commissioner's office.

The tables were modified, however, for the purposes of the present study and the method of deriving them was as follows:

This plan considered a one thousand acre lease with a single opening or operation and it was figured that it should be mined out in forty years. It assumed that the recoverable tonnage in any seam would be 100 tons per inch of seam thickness per acre, or 1,200 tons per foot of seam thickness per acre.

The plan also considered that the lease or coal tract should be divided into five zones. The first or developed zone was arbitrarily made 100 acres; the second or partially developed zone was arbitrarily made 300 acres; the third or undeveloped zone was arbitrarily made 600 acres; the fourth zone was classed undeveloped over 600 to 1,000 acres, and the fifth zone included any remaining acreage and was classed as inaccessible.

The annuity plan was used in the valuation work, valuing the coal on a royalty or a profit basis of ten cents per ton, payable quarterly; using a discount rate of eight per cent, which is the discount rate allowed on bituminous coal by the United States Treasury Department for income tax valuations, and a redemption rate of four per cent for the redemption of the investment by reinvestment was allowed. The calculation was made to determine the

present worth of 100 acres of coal three feet thick on a royalty or profit basis of ten cents per ton. After obtaining the present worth (value) per acre, it was adjusted up or down for various thicknesses and ranks of coal, taking into consideration the general factors that influence the value of minable coal.

The calculations showed that an acre of coal three feet thick, containing 3,600 tons of recoverable coal, on the annuity basis of valuation as outlined above would have a present worth of $109.08. In the tables below this figure was reduced to an even $100.00 per acre and this value used as a basis for deriving the other values.

TABLE IV—5: SMOKELESS COALS
COAL VALUES AND AREA

Thickness of Seam	Developed 100 Acres	Partially Developed 300 Acres	Undeveloped 600 Acres	Undeveloped over 600 to 1000 Acres	Undeveloped and Inaccessible
3.0 Feet	$100.00	$ 80.00	$ 40.00	$ 30.00	$ 20.00
3.5 Feet	150.00	120.00	60.00	45.00	30.00
4.0 Feet	200.00	160.00	80.00	60.00	40.00
4.5 Feet	250.00	200.00	100.00	75.00	50.00
5.0 Feet	300.00	240.00	120.00	90.00	60.00
5.5 Feet	350.00	280.00	140.00	105.00	70.00
6.0 Feet	400.00	320.00	160.00	120.00	80.00
6.5 Feet	450.00	360.00	180.00	135.00	90.00
7.0 Feet	500.00	400.00	200.00	150.00	100.00
7.5 Feet	550.00	440.00	220.00	165.00	110.00
8.0 Feet	600.00	480.00	240.00	180.00	120.00

TABLE IV—6: DOMESTIC FUEL, STEAM COKING AND BY-PRODUCT COALS
COAL VALUES AND AREA

Thickness of Seam	Developed 100 Acres	Partially Developed 300 Acres	Undeveloped 600 Acres	Undeveloped over 600 to 1000 Acres	Undeveloped and Inaccessible
3.0 Feet	$ 80.00	$ 64.00	$ 32.00	$ 24.00	$ 16.00
3.5 Feet	120.00	96.00	48.00	36.00	24.00
4.0 Feet	160.00	128.00	64.00	48.00	32.00
4.5 Feet	200.00	160.00	80.00	60.00	40.00
5.0 Feet	240.00	192.00	96.00	72.00	48.00
5.5 Feet	280.00	224.00	112.00	84.00	56.00
6.0 Feet	320.00	256.00	128.00	96.00	64.00
6.5 Feet	360.00	288.00	144.00	108.00	72.00
7.0 Feet	400.00	320.00	160.00	120.00	80.00
7.5 Feet	440.00	352.00	176.00	132.00	88.00
8.0 Feet	480.00	384.00	192.00	144.00	96.00

TABLE IV—7: SPLINT COALS
COAL VALUES AND AREA

Thickness of Seam	Developed 100 Acres	Partially Developed 300 Acres	Undeveloped 600 Acres	Undeveloped over 600 to 1000 Acres	Undeveloped and Inaccessible
3.0 Feet	$ 60.00	$ 48.00	$ 24.00	$ 18.00	$ 12.00
3.5 Feet	90.00	72.00	36.00	27.00	18.00
4.0 Feet	120.00	96.00	48.00	36.00	24.00
4.5 Feet	150.00	120.00	60.00	45.00	30.00
5.0 Feet	180.00	144.00	72.00	54.00	36.00
5.5 Feet	210.00	168.00	84.00	63.00	42.00
6.0 Feet	240.00	192.00	96.00	72.00	48.00
6.5 Feet	270.00	216.00	108.00	81.00	54.00
7.0 Feet	300.00	240.00	120.00	90.00	60.00

In the foregoing tables the "Developed 100 Acres" were used as a basis and called 100%; the "Partially Developed 300 Acres" were given a value of 80%; the "Undeveloped 600 Acres" were given a value of 40%; the "Undeveloped over 600 to 1,000 Acres" were given a value of 30%, and the "Undeveloped and Inaccessible" acreage was given a value of 20%.

Mined out areas and areas not containing coal were given a mineral value of $2.00 an acre.

Surface area over coal seams was valued at $5.00 an acre unless it was good farm land.

When development of the mine is by slope or shaft, deduct 40 per cent from values determined from above tables.

In this study all coal acreages in excess of 2,000 acres are classed as "Undeveloped and Inaccessible" coal and all acreage allowances for worked out coal are subtracted from that acreage bearing the lowest value per acre.

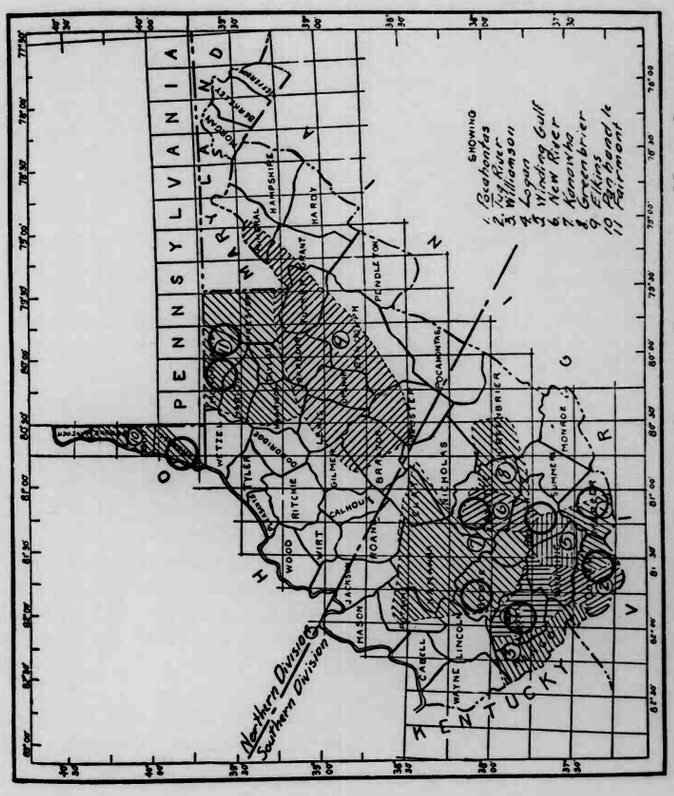
In the preceding tables it is necessary to divide a tract of coal into various divisions such as shown, because the owner of a coal property has usually only a part of the property under development or accessible at one time from which an income can be derived. The owner can only obtain an income from as much of the coal as he can mine and sell within that time. Thus coal deposits differ from farm lands in that only part of the coal can be utilized in a given time, whereas in a farm all the land can be cultivated annually and, therefore, it is necessary to subdivide coal tracts into various classes, each class carrying its own assessment value. In large acreages of coal property where some of the coal must

necessarily remain in the ground unmined for a number of years, it is necessary to make some reduction on the inaccessible acreage or taxes would consume the value of the property before the coal could be mined out.

It must be pointed out here that the tables used in this appraisal work are in many ways empirical. It is probable that they are not applicable to many tracts of coal in the State. The problem of mineral taxation is not an exact science but is rather a matter of probable calculations based, among other things, on a study of character of competition, markets, coal reserves, character of seams, mining conditions and probable costs and profits. The tables were developed for this study as a basis for an equitable valuation for coal in different sections studied and should not be considered as applicable to every property. It is obvious that substantial differences exist in the various coal seams of the State and to properly appraise them several more tables might have to be set up. Much more study must be given to this subject before any state wide plan for mineral taxation could be formulated. The important thing to bear in mind, however, is that some standard or systematic manner of making assessments on coal properties in the different counties of the State is needed. Of course, it could not be perfect, but it would be better than haphazard methods of making assessments.

In order to show how assessments vary in different counties of the State several coal properties in the different coal fields were selected for particular study. The location of the properties studied are shown on the map below. When a property was selected for study, the first thing determined was whether it was assessed as a unit on the assessor's books. If the property was assessed as a unit then an actual appraisal was made by an inspection of the property and a comparison was made between the appraised value, the value turned in by the company, and the assessor's value. The value turned in by the company and the assessor's value of the property were obtained by an inspection of the assessor's books and of the tax returns turned in to him by the company. All assessed values used were as of January 1, 1930.

Examples of these comparisons follow:



COAL FIELDS OF WEST VIRGINIA, SHOWING LOCATIONS OF MINES STUDIED

Mine No. 1

Field, Pocahontas; R. R., N. & W.; County, McDowell; District, Elkhorn; Seam, Pocahontas No. 3; Average Thickness, 90″; Average Daily Tonnage, 1,800; Type of Opening, Drift.

Summary of Real Estate

2328.49	Acres of Surface	at	$ 5.00—	$ 11,642.45
1273.99	Acres of Mined Out Coal	at	2.00—	2,547.98
100	Acres of Developed Coal	at	550.00—	55,000.00
300	Acres of Partially Developed Coal	at	440.00—	132,000.00
164.59	Acres of Undeveloped Coal	at	220.00—	36,209.80
	Total fee value			$237,400.23

Appraised value of coal per acre for this tract $= \frac{\$237,400.23}{2,328.49} = \$101.95$

As assessments in this county are made according to the table used as a standard in the appraisal work there was no difference between the appraised and assessed value, except that in accordance with the customs of the county 50% was added to the calculated value for assessment purposes.

Table IV—8: Summary of Plant Equipment

ITEM	Appraised Value	Assessed Value	Value reported to Assessor by Company
Tipple	$65,000	$60,000	$60,000
Cleaning Plant	5,000		
Steam Plant	60,000	41,550	41,550
Fans and Housing	25,000	8,500	8,500
Machine Shop and Equipment	50,000	18,500	13,500
Store and Office Building a	25,000	15,000	15,000
Substations and Equipment	9,500	7,000	7,000
Supply House	4,000	1,200	No Return
Store Stock	33,000	29,577	29,577
Houses:			
20 two-room	8,000	6,600	6,600
16 three-room	9,600	21,600	21,600
6 four-room	4,800	58,200	58,200
0 five-room	..	8,250	8,250
26 six-room	39,000	19,800	19,800
10 seven-room	17,500	2,100	2,100
46 eight-room	92,000	No Return	No Return
8 ten-room	20,000	12,500	12,500
Special	5,000	7,000	3,000
Sewage System	15,000	No Return	No Return
Water Supply	50,000	10,300	10,300
Improved Streets	3,000	No Return	No Return
Steel Bridge	15,000	No Return	No Return
Mine Offices	1,000	200	200
Stable and Equipment	2,000	1,600	1,400
Rail	16,000	36,000	36,000
Wire, Copper	4,061	3,850	3,850
Pipe	840	3,000	3,000
Locomotives	50,660	32,000	32,000
Horses	250	No Return	No Return
Mules	1,400	1,600	1,600
Mining Machines	17,500	9,000	9,000
Mine Cars	31,500	35,400	35,400
Pumps	1,175	600	600
Air Compressor	800	No Return	No Return
Electric Drills	150	No Return	No Return
Mine Telephones	125	No Return	No Return
Fire Protection	2,550	No Return	No Return
Loading Machines	1,500	No Return	No Return
Mine Supplies	10,000	9,000	9,000
Compressors	5,000	3,500	3,500
Garages	6,000	1,800	1,800
Miscellaneous	18,000	5,600	5,600
Total	$725,911	$470,827	$460,427

a—Includes fixtures.

$$\text{Ratio} \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{470,827}{725,911} = .649 \text{ or } 64.9\%$$

$$\text{Ratio} \frac{\text{Company Value}}{\text{Appraised Value}} = \frac{460,427}{725,911} = .634 \text{ or } 63.4\%$$

Mine No. 2

Field, Pocahontas; R. R., N. & W.; County, Mercer; District, Rock; Seam, Pocahontas No. 3; Average Thickness, 42″; Average Daily Tonnage, 1,250; Type of Opening, Drift.

Summary of Real Estate

Total Coal Acreage—1,768.90 Acres

589.43	Acres Mined Out Coal	at	$ 2.00—	$ 1,178.86
100	Acres Developed Coal	at	150.00—	15,000.00
300	Acres Partially Developed Coal	at	120.00—	36,000.00
600	Acres Undeveloped Coal	at	60.00—	36,000.00
179.47	Acres Undeveloped Coal	at	45.00—	8,076.15
	Total coal value			$96,255.01

$$\text{Appraised value of coal per acre for this tract} = \frac{\$96,255.01}{1,768.90} = \$54.42$$

This company has 1,251.71 acres of surface which is assessed at $5.00 an acre.

The assessed value was the same on the county land books as computed above.

Table IV—9: Summary of Plant Equipment

ITEM	Appraised Value	Assessed Value	Value reported to Assessor by Company
Tipple	$60,000	$20,000	$20,000
Cleaning Plant	18,000		
Fan and House	2,000	1,100	1,100
Machine Shop and Equipment	5,000	800	800
Sub-stations Complete	8,000	4,000	4,000
Slate Disposal	13,000	No Return	No Return
Supply House	1,000	200	200
Store and Office Bldg., Equip.	20,000	8,700	8,700
Garages	1,950	390	390
Houses:			
1 two-room	350		
46 three-room	27,600		
54 four-room	40,500		
4 five-room	3,500	43,580	43,580
7 six-room	7,000		
2 eight-room	3,200		
1 special	3,500	1,200	1,200
Water System	10,000	1,555	1,555
Lighting System	2,000	No Return	No Return
Stable	1,000	100	100
Wire, Copper	1,256	1,600	1,600
Pipe	1,188	No Return	No Return
Locomotives	21,133	5,900	5,900
Mules	200	150	150
Mining Machines	22,500	9,000	9,000
Mine Cars	12,000	11,264	11,264
Rail	4,400	6,085	6,085
Pumps	1,975	100	100
Air Compressor	500	300	300
Electric Drills	150	No Return	No Return
Mine Telephones	150	No Return	No Return
Sprinkling Cars	160	No Return	No Return
Fire Protection	800	No Return	No Return
Store Stock	8,000	4,800	4,800
Mine Supplies	5,000	3,050	3,050
Miscellaneous	5,000	875	875
Total	$312,012	$124,749	$124,749

$$\text{Ratio} \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{124,749}{312,012} = .400 \text{ or } 40.0\%$$

$$\text{Ratio} \frac{\text{Company Value}}{\text{Appraised Value}} = \frac{124,749}{312,012} = .400 \text{ or } 40.0\%$$

Mine No. 3

Field, Winding Gulf; R. R., Virginian; County, Raleigh; District, Town; Seam, Beckley; Average Thickness, 72″; Average Daily Tonnage, 2,800; Type of Opening, Shaft.

Summary of Real Estate

Total Acres in Tract—1,414.83

740	Acres Mined Out Coal (Estimated)	at	$ 2.00—	$ 1,480.00
100	Acres Developed Coal	at	400.00—	40,000.00
300	Acres Partially Developed Coal	at	320.00—	96,000.00
274.83	Acres Undeveloped Coal	at	160.00—	43,972.80
	Total coal value			$181,452.80

Deduct 40% for shaft mine, Total—$108,871.68

$$\text{Appraised value of coal per acre for this tract} = \frac{\$108{,}871.68}{1{,}414.83} = \$76.95$$

This property was assessed on land books of the county at $100.00 per acre for the coal.

This mine has 149.29 acres of surface which is assessed at $30.00 per acre.

Table IV—10: Summary of Plant Equipment

ITEM	Appraised Value	Assessed Value	Value Reported to Assessor by Company
Tipple	$85,000	..a	..a
R. R. Siding	20,000	..a	..a
Steam Plant	50,000	2,800a	2,800a
Power Plant and Sub-station	50,000	7,300a	7,300a
Hoist and House	35,000	..a	..a
Fan and House	10,000	1,000a	1,000a
Machine Shop and Equipment	6,000	2,500a	2,500a
Office, Store and Fixtures	35,000	1,500a	1,500a
Club House and Fixtures	12,000	500a	500a
Amusement Bldg. and Fixtures	25,000	800a	800a
Slate Disposal	5,000	No Return	No Return
Supply House	1,500	..a	..a
Store Stock	30,000	44,208	44,208
Houses:			
3 two-room	1,500		
17 three-room	12,750		
85 four-room	102,000		
91 five-room	136,500	..a	..a
23 six-room	48,300		
10 eight-room	28,000		
Improved Streets	6,000	No Return	No Return
Water Supply	25,000	2,000a	2,000a
Lighting System	3,000	No Return	No Return
Trucks	1,200	1,100	1,100
Pumps	11,750	2,875	2,875
Stable and Equipment	2,500	200a	200a
Wire, Copper	7,050	6,088	6,088
Pipe	6,000	1,500	1,500
Locomotives	50,690	14,000	14,000
Horses	500	300	300
Mules	300	150	150
Mining Machines	22,500	4,900	4,900
Mine Cars	24,000	14,625	14,625
Rail	16,000	8,000	8,000
Compressors	7,000	No Return	No Return
Electric Drills	300	No Return	No Return
Welding Machines	1,000	No Return	No Return
Rock Dust Machine	1,800	No Return	No Return
Mine Telephones	300	No Return	No Return
Fire Protection	2,120	No Return	No Return
Mine Supplies	40,000	37,421	37,421
Loading Machine	10,000	1,000	1,000
Garages	4,000	..a	..a
Miscellaneous	10,000	2,870	2,870
Sub-Total	$ 946,560	$157,637	$157,637
Total Improvements Returned a		180,450	180,450
Total	$946,560	$338,087	$338,087

a—The return listing the improvements on the property was taken from previous years and showed the improvements as a lump sum. Therefore, a check could only be made on the personal property and total value of improvements.

$$\text{Ratio} = \frac{\text{Assessed Value } 338{,}087}{\text{Appraised Value } 946{,}560} = .357 \text{ or } 35.7\%$$

$$\text{Ratio} = \frac{\text{Company Value } 338{,}087}{\text{Appraised Value } 946{,}560} = .357 \text{ or } 35.7\%$$

Mine No. 4

Field, New River; R. R., C. & O.; County, Fayette; District, Fayetteville; Seam, Sewell; Average Thickness, 48″; Average Daily Tonnage, 700; Type of Opening, Drift.

Summary of Real Estate

1477 Acres of Surface	at	$ 5.00	$ 7,385.00
1127 Acres of Mined Out Coal	at	2.00	2,254.00
100 Acres of Developed Coal	at	200.00	20,000.00
250 Acres of Partially Developed Coal	at	160.00	40,000.00
Total fee value			$69,639.00

Appraised value of coal per acre for this tract $= \frac{\$69,639.00}{1,477} = \$47.15$

This tract was assessed on county land books between $40.00 and $50.00 per acre.

Table IV—11: Summary of Plant Equipment

ITEM	Appraised Value	Assessed Value	Value Reported to Assessor by Company
Tipple	$25,000	$10,000	$10,000
Sub-stations and Equipment	4,750	3,300	3,300
Fan and Housing	3,000	No Return	No Return
Machine Shop, Blacksmiths and Equipment	1,500	1,000	1,000
Office Building and Store	8,000	2,000	2,000
Amusement Building	6,000	2,000	2,000
Slate Disposal	800	No Return	No Return
Supply House	600	300	300
Store and Office Fixtures	3,000	650	650
Houses:			
3 two-room	6,000	600	600
30 three-room	18,000	8,700	8,700
28 four-room	22,400	13,200	13,200
29 five-room	36,250	15,000	15,000
7 six-room	10,500	6,000	6,000
3 seven-room	6,300	No Return	No Return
3 eight-room	7,200	3,200	3,200
3 special	20,000	12,600	12,600
Improved Streets	3,000	No Return	No Return
Water Supply	8,000	1,840	1,840
Pumps	2,425	1,600	1,600
Stable and Equipment	2,500	1,000	1,000
Wire, Copper *a*	2,880	2,270	2,270
Pipe	1,260	No Return	No Return
Locomotives	15,210	3,000	3,000
Mules	1,000	800	800
Horses	1,250		
Mining Machines	15,000	3,200	3,200
Mine Cars	9,000	4,000	4,000
Rails	9,330	1,300	1,300
Air Compressors	1,890	No Return	No Return
Air Drills	60	No Return	No Return
Mine Telephones	75	No Return	No Return
Fire Protection	175	No Return	No Return
Mine Supplies	1,500	5,500	500
Store Stock	15,000	8,000	4,000
Garages	2,700	1,260	1,260
Miscellaneous	2,500	1,700	1,700
Total	$273,965	$114,020	$105,020

$$\text{Ratio} \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{114,020}{273,965} = .416 \text{ or } 41.6\%$$

$$\text{Ratio} \frac{\text{Company Value}}{\text{Appraised Value}} = \frac{105,020}{273,965} = .383 \text{ or } 38.3\%$$

a—About 10,000 feet of wire had been removed after January 1, 1930 to date.

The ratios below are calculated on the basis of the 10,000 feet of copper wire still being in the mine on July 30, 1930.

The value of 10,000 feet of wire would be $641.00 which is added to "Apprasied Value".

$$\text{Ratio} \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{114,020}{274,606} = .415 \text{ or } 41.5\%$$

$$\text{Ratio} \frac{\text{Company Value}}{\text{Appraised Value}} = \frac{105,020}{274,606} = .382 \text{ or } 38.2\%$$

Mine No. 5

Field, Logan; R. R., C. & O.; County, Logan; District, Logan; Seam, Eagle; Average Thickness, 60″; Average Daily Tonnage, 1,000; Type of Opening, Slope.

Summary of Real Estate

Total Tract was 838.49 Acres in Fee

838.49	Acres of Surface	at $	5.00—	$ 4,192.45
200	Acres of Mined Out Coal (Est.)	at	2.00—	400.00
100	Acres of Developed Coal	at	240.00—	24,000.00
300	Acres of Partially Developed Coal	at	192.00—	57,600.00
238.49	Acres of Undeveloped Coal	at	96.00—	22,895.04
	Total fee value			$109,087.49

Deduct 40% for slope mine, Total—$65,452.49

$$\text{Appraised value of coal per acre for this tract} = \frac{\$65,452.49}{838.49} = \$78.06$$

This property was assessed on the county land books at $66.00 per acre.

Table IV—12: Summary of Plant Equipment

Item	Appraised Value	Assessed Value	Value Reported to Assessor by Company
Tipple	$35,000	$10,350	$10,350
R. R. Siding	12,000	No Return	No Return
Supply Hoist and House	2,000	30	30
Store and Fixtures	2,600	1,800	1,800
Hoist Conveyor	15,000	No Return	No Return
Fan and House	3,500	700	700
Shops and Equipment	4,000	1,100	1,100
Sub-stations and Equipment	11,000	5,500	5,500
Supply House	700	50	50
Houses:			
10 two-room	3,000	675*a*	675
46 four-room	27,600	12,605	12,605
4 five-room	3,000	2,600	2,600
2 six-room	8,000	1,320	1,320
1 special	3,000	1,890	1,890
Water Supply	5,000	2,000	2,000
Lighting System	2,000	No Return	No Return
Stable and Equipment	1,000	875	875
Rail	8,000	5,400	5,400
Wire, Copper	1,818	1,765	1,765
Pump and pipe	4,500	910	910
Locomotives	11,030	3,000	3,000
Mining Machines	7,500	3,000	3,000
Mine Cars	6,000*b*	6,000*c*	6,000
Mine Telephone	25	No Return	No Return
Garages	510	240	240
Store Stock	4,000	1,000	1,000
Mine Supplies	2,000	200	200
Miscellaneous	5,000	740	740
Total	$188,783	$63,750	$63,750

a—In Assessor's office these two-room houses were returned as three-room houses.
b—On basis of 140 cars.
c—On basis of 200 cars.

$$\text{Ratio } \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{63,750}{188,783} = .338 \text{ or } 33.8\%$$

$$\text{Ratio } \frac{\text{Company Value}}{\text{Appraised Value}} = \frac{63,750}{188,783} = .338 \text{ or } 33.8\%$$

Mine No. 6

Field, Kanawha; R. R., C. & O.; County, Boone; District, Peytona; Seam, No. 2 Gas; Average Thickness, 48"; Average Daily Tonnage, 1,200; Type of Opening, Drift.

Summary of Real Estate

Total Tract was 9,993 Acres in Fee

9993	Acres of Surface	at $	5.00=	$ 49,965.00
320	Acres of Mined Out Coal (estimated)	at	2.00=	640.00
100	Acres of Developed Coal	at	160.00=	16,000.00
300	Acres of Partially Developed Coal	at	128.00=	38,400.00
600	Acres of Undeveloped Coal	at	64.00=	38,400.00
1000	Acres of Undeveloped Coal	at	48.00=	48,000.00
7673	Acres of Undeveloped Coal	at	32.00=	245,536.00
	Total fee value			$436,941.00

Appraised value of coal per acre for this tract = $\frac{\$436,941.00}{9,993}$ = $43.72

This tract was assessed at $40.00 an acre.

Table IV—13: Summary of Plant Equipment

ITEM	Appraised Value	Assessed Value	Value Reported to Assessor by Company
Tipple	$75,000	$13,000	$13,000
R. R. Siding	7,000	No Return	No Return
Cleaning Plant *a*	225,000	No Return	No Return
Sub-station and Equipment	12,500	11,800	11,800
Fans and Housing	3,000	2,250	2,250
Machine Shop and Equipment	5,000	2,100	2,100
Office and Store Building and Fixtures	18,500	11,950	11,950
Club House and Fixtures	8,000	2,500	2,500
Amusement Building	12,000	4,900	4,900
Slate Disposal	2,000	400	400
Lamp House and Equipment	4,000	220	220
Supply House	2,000	1,500	1,500
Store goods	22,000	12,000	12,000
Houses:			
3 three-room	2,700	405	405
81 four-room	97,200	22,400	22,400
38 five-room	57,000	13,375	13,375
5 six-room	9,000	3,660	3,660
6 special	18,300	3,645	3,645
Improved Streets	1,500	No Return	No Return
Sewage System	800	No Return	No Return
Water Supply	4,000	685	685
Light System	2,000	No Return	No Return
Pump Room and Pump	1,000	No Return	No Return
Repair Shop and Equipment	3,000	400	400
Wire, Copper	3,850	2,500	2,500
Pipe	1,900	1,500	1,500
Locomotives	30,170	20,000	20,000
Mules	200	100	100
Mining Machines	25,000	10,400	10,400
Mine Cars	23,200	13,230	13,230
Rail	12,080	7,500	7,500
Pumps	2,450	1,150	1,150
Electric Drill	75	No Return	No Return
Rock Dust Machine	1,800	No Return	No Return
Mine Telephones	150	No Return	No Return
Fire Protection	1,500	No Return	No Return
Mine Supplies	5,000	10,000	10,000
Garages	50	20	20
Bath House and Equipment	2,000	1,750	1,750
Laboratory Equipment	360	225	225
Miscellaneous	7,000	1,620	1,620
Total	$709,285	$177,185	$177,185

a—Put in since January 1, 1930.

$$\text{Ratio} \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{177,185}{709,285} = .250 \text{ or } 25.0\%$$

$$\text{Ratio} \frac{\text{Company Value}}{\text{Appraised Value}} = \frac{177,185}{709,285} = .250 \text{ or } 25.0\%$$

The ratios below are calculated with the $225,000.00 value of the new cleaning plant excluded.

$$\text{Ratio} \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{177,185}{484,285} = .366 \text{ or } 36.6\%$$

$$\text{Ratio} \frac{\text{Company Value}}{\text{Appraised Value}} = \frac{177,185}{484,285} = .366 \text{ or } 36.6\%$$

MINE No. 7

Field, Fairmont; R. R., P. R. R.; County, Monongalia; District, Grant; Seam, Pittsburgh; Average Thickness, 90"; Average Daily Tonnage, 1,350; Type of Opening, Drift.

SUMMARY OF REAL ESTATE

173.295	Acres of Mined Out Coal	at $ 2.00—	$	346.59
100.000	Acres of Developed Coal	at 440.00—		44,000.00
300.000	Acres of Partially Developed Coal	at 352.00—		105,600.00
19.103	Acres of Undeveloped Coal	at 176.00—		3,362.13
	Total coal value			$153,308.72

Appraised value of coal per acre for this tract $= \frac{\$153,308.72}{419,103} = \$365.80$

The average assessment per acre on the county land books for this tract was $345.85.

TABLE IV—14: SUMMARY OF PLANT EQUIPMENT

ITEM	Appraised Value	Assessed Value	Value Reported to Assessor by Company
Tipple	$20,000		No Return
Bins	19,000		No Return
R. R. Siding	10,000		No Return
Sub-stations and Equipment	6,000		No Return
Fan and Housing	500		No Return
Supply House	1,000		No Return
Stable and Equipment	2,000		No Return
Houses:			
4 three-room	720		No Return
1 four-room	240		No Return
1 six-room	360		No Return
Tramroad	5,000	*a*	No Return
Rail	7,680		800
Wire, Copper	2,773		900
Pipe	1,696		No Return
Pumps	1,300		No Return
Locomotives	12,990		2,000
Horses	1,500		600
Mining Machines	18,000		5,500
Mine Cars	11,150		2,100
Welding Machine	75		No Return
Mine Telephones	150		No Return
Fire Protection	21		No Return
Supplies	5,000		No Return
Calcium Chloride Plant	760		No Return
Miscellaneous	4,500		950
Total	$132,415	$35,000	$12,850

a—All improvements and personal property values were lumped and increased to $35,000 by the assessor.

$$\text{Ratio } \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{35,000}{132,415} = .264 \text{ or } 26.4\%$$

$$\text{Ratio } \frac{\text{Value Returned by Company}}{\text{Appraised Value}} = \frac{12,850}{132,415} = .097 \text{ or } 9.7\%$$

MINE No. 8

Field, Panhandle; R. R., B. & O.; County, Marshall; District, Clay; Seam, Pittsburgh No. 8; Average Thickness, 64"; Average Daily Tonnage, 1,100; Type of Opening, Shaft.

SUMMARY OF REAL ESTATE

438.58	Acres of Mined Out Coal (Est.)	at $	2.00— $	877.16
100	Acres of Developed Coal	at	280.00—	28,000.00
300	Acres of Partially Developed Coal	at	224.00—	67,200.00
571.36	Acres of Undeveloped Coal	at	112.00—	63,992.32
	Total coal value			$160,069.48

Deduct 40% for shaft mine—$96,041.69

$$\text{Appraised value of coal per acre for this tract} = \frac{\$96{,}041.69}{971.36} = \$98.87$$

The average assessment per acre on the county land books for this tract was $58.47.

This mine has the following amount of surface:

77.07 acres assessed at $ 30.00 an acre
143.50 acres assessed at $ 30.00 an acre
73.00 acres assessed at $ 35.00 an acre
33.10 acres assessed at $241.69 an acre.

TABLE IV—15: SUMMARY OF PLANT EQUIPMENT

ITEM	Appraised Value	Assessed Value	Value Reported to Assessor by Company
Tipple	$12,000	...a	...a
Bins	900	...a	...a
R. R. Siding	8,000	...a	...a
Hoist House, Hoist and Sub-station	15,000	$12,000a	$12,000a
Fan and House	2,500	1,000a	1,000a
Shops and Equipment	200	...a	...a
Office Building	800	...a	...a
Slate Disposal	600	No Return	No Return
Lamp House and Lamps	3,000	...a	...a
Houses	100	...a	...a
Scales	400	100	100
Wire Rope	300	150	150
Wire, Copper	1,550	1,000	1,000
Pipe	2,000	1,000	1,000
Pumps	900	600	600
Rail	6,000	3,000	3,000
Rock Dust Machine	1,000	No Return	No Return
Steam Locomotives	5,000	2,000	2,000
Electric Locomotives	15,519	7,000	7,000
R. R. Cars	700	700	700
Mine Cars	10,000	6,250	6,250
Mining Machines	18,900	2,000	2,000
Air Compressor	700	No Return	No Return
Bonding Machine	75	No Return	No Return
Mine Telephones	150	No Return	No Return
Fire Protection	25	No Return	No Return
Supplies	210	70	70
Miscellaneous	2,000	No Return	No Return
Sub-Total	$108,529	$36,870	$36,870
Improvements Return a		25,500	25,500
Total	$108,529	$62,370	$62,370

a—The improvements on this property were returned to the assessor in a lump sum of $25,500.00. All improvements were appraised as separate items.

$$\text{Ratio } \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{62{,}370}{108{,}529} = .575 \text{ or } 57.5\%$$

$$\text{Ratio } \frac{\text{Value Returned by Company}}{\text{Appraised Value}} = \frac{62{,}370}{108{,}529} = .575 \text{ or } 57.5\%$$

Mine No. 9

Field, Fairmont; R. R., P. R. R.; County, Monongalia; District, Cass; Seam, Sewickley; Average Thickness, 72"; Average Daily Tonnage, 2,000; Type of Opening, Slope.

Summary of Appraised Values and Assessed Values on Real Estate, Improvements and Personal Property of Gilbert-Davis Coal Company

Summary of Real Estate

Appraised values:

Sewickley Coal

765.237 Acres, Appraised Value[1] — $160,539.05
Average Appraised Value per Acre — $209.79

Pittsburgh Coal

9.077 Acres, Appraised Value — 909.00
Average Appraised Value per Acre — 100.16

Waynesburg Coal

37.47 Acres, Appraised Value — None
Average Appraised Value per Acre — None

Surface

133.118 Acres, Appraised Value — 14,237.75
Average Appraised Value per Acre — 106.95

Reversionary Interest in Property Leased 3,000.00

Total Appraised Value of Real Estate — $178,685.80

Assessed values:

Sewickley Coal

688.4625 Acres, Assessed Value[1] — $ 84,488.00
389.235 Acres of Mined Out Coal Assessed Value — 400.00
Average Assessed Value per Acre — $123.30

Pittsburgh Coal

8.987 Acres, Assessed Value — 1,600.00
Average Assessed Value per Acre — 178.03

Waynesburg Coal

37.47 Acres, Assessed Value — 425.00
Average Assessed Value per Acre — 11.34

[1]The difference between coal acreage shown on Appraiser's report and acreage shown on county land books on Sewickley coal, as far as could be determined was 76.7745 acres. The Appraiser's report showed 765.237 acres of Sewickley coal and the county land books showed 688.4625 acres. Nine acres of this difference was due to an error in calculation on the county land book.

Surface

133.960 Acres, Assessed Value — 3,000.00
Average Assessed Value per Acre — 22.39

Total Assessed Value of Real Estate $ 89,913.00

$$\text{Ratio} \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{89,913.00}{178,685.80} = .503 \text{ or } 50.3\%$$

Table IV—16: Comparison of Appraised and Assessed Values on This Tract

Real Estate	Appraised Value		Assessed Value		Ratio per Acre of Assessed to Appraised Value
	Total Value	Average per Acre	Total Value	Average per Acre	
Sewickley.....	$160,539.05	$209.79	$84,888.00	$123.30	58.8%
Pittsburg Coal....	909.00	100.16	1,600.00	178.03	177.7%
Waynesburg Coal..	None	None	425.00	11.34	..
Surface.....	14,237.75	106.95	3,000.00	22.39	20.9%
Total.....	$175,685.80	..	$89,913.00	..	..

Summary of Improvements

Appraised value of improvements was $81,425.00
Assessed value of improvements was $32,000.00

$$\text{Ratio } \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{32{,}000.00}{81{,}425.00} = .393 \text{ or } 39.3\%$$

Table IV—17: Summary of Personal Property

ITEM	Appraised Value	Assessed Value	Value Reported to Assessor by Company
Horses	$ 100	$ 200	$ 150
Ponies and Mules	650	1,000	1,000
Wagons	50	25	25
Locomotives	11,000	6,500	4,000
Mine Cars	17,790	6,000	6,000
Scales	100	100	25
Car Dumps	150	25	25
Pumps	2,727	1,000	500
R. R. Siding	5,963	No Return	No Return
Pipe	2,557	No Return	No Return
Fans	3,050	1,000	300
Rails	26,300	2,250	1,500
M. G. Set and Equipment	8,050	6,000	2,500
Wire, Copper	6,539	7,000	No Return
Mining Machines	4,500	No Return	2,800
Lamps and Equipment	2,250	No Return	1,000
Tools and Supplies	3,525	2,800	2,800
Compressors	1,000	No Return	No Return
Track Switches	9,300	No Return	No Return
Mine Office Equipment	1,150	No Return	No Return
Main Office Equipment	1,339	No Return	No Return
Miscellaneous	1,250	1,900	2,600
Total	$111,340	$35,800	$25,225

$$\text{Ratio } \frac{\text{Assessed Value}}{\text{Appraised Value}} = \frac{35{,}800}{111{,}340} = .322 \text{ or } 32.2\%$$

$$\text{Ratio } \frac{\text{Value Returned by Company}}{\text{Appraised Value}} = \frac{25{,}225}{111{,}340} = .226 \text{ or } 22.6\%$$

Total Appraised Value of the Property

Real Estate	$178,685.80
Improvements	81,425.00
Personal Property	111,340.00
Accounts Receivable	5,000.00
Total	$376,450.80

Total Assessed Value of the Property

Real Estate	$ 89,913.00
Improvements	32,000.00
Personal Property	35,800.00
Total	$157,713.00

$$\text{Ratio } \frac{\text{Total Assessed Value}}{\text{Total Appraised Value}} = \frac{157{,}713.00}{376{,}450.80} = .419 \text{ or } 41.9\%$$

All appraised values are taken from the appended Appraiser's Report on Gilbert-Davis Coal Company, a Corporation (Bankrupt) —In Bankruptcy No. 910, In the District Court of the United States, for the Northern District of West Virginia.

Appraisal values are of May 31, 1930, assessed values are of January 1, 1930, and the latter are exactly the same as those of January 1, 1929, except that allowances for mined out coal were made on the 1930 tax return.

Summary and Discussion

Table IV—18: Ratios of Assessed and Appraised Values of Properties Studied [a]

Mine No.	County	Per Cent of Assessed Value to Appraised Value	
		Real Estate	Improvements and Personal Property
1	McDowell	100.0	64.9
2	Mercer	100.0	40.0
3	Raleigh	130.0	35.7
4	Fayette	84.8 to 106.0	41.5
5	Logan	84.6	33.8
6	Boone	91.5	36.6
7	Monongalia	94.5	26.4
8	Marshall	59.1	57.5
9a	Monongalia	50.3	35.2

a—Gilbert-Davis Coal Company.

This table shows that the ratio of assessed values to appraised values, both for real estate and personal property, vary considerably in the various sections of the State. The ratios are remarkably low on personal property and improvements at most of the properties studied. Although the data shown in the table represent only nine properties, they should indicate the general trend of the ratios of assessed to appraised values in the various coal fields, because the properties examined are typical properties of their districts.

To show how assessments vary in different counties, let us suppose that a large coal company owns three developed tracts of land, each containing one thousand acres of Pittsburgh coal, eight feet thick; one tract situated in Monongalia county, another in Marion county, and the other in Harrison county.

The tract in Monongalia county would be assessed:

100 acres at $650.00 an acre or	$ 65,000.00
900 acres at $250.00 an acre or	225,000.00
Total assessed value	$290,000.00

The tract in Marion county would be assessed:

500 acres at $360.00 an acre or	$180,000.00
500 acres at $170.00 an acre or	85,000.00
Total assessed value	$265,000.00

The tract in Harrison county would be assessed:

500 acres at $300.00 an acre or	$150,000.00
500 acres at $200.00 an acre or	100,000,00
Total assessed value	$250,000.00

These calculations on assessments are based on data obtained from the assessors of the three counties. Thus, an operator in Monongalia county would be assessed $25,000.00 more than an operator in Marion county and $40,000.00 more than an operator in Harrison county. These inequalities are brought about because each county has adopted standards of its own with no thought of uniformity in relation to one another or the coal seams in the same coal fields.

In examining the tax returns listing tangible property, as shown in the tables of plant equipment in this study, it will be noted that in reporting tangible property many items that were listed in the appraisal of the property had not been listed by the company or the assessor for assessment purposes. For example, in the Summary of Plant Equipment for Mine No. 2 in Mercer county (See page 81) no returns were made by the company or the assessor for electric drills, mine telephones, sprinkling cars, fire protection and lighting systems. As these items are not listed on the printed tax return S. T. C. O. No. 3B, it is easy for one to overlook them in reporting the property to the assessor. To avoid any personal property being overlooked in making out the tax return, the printed form for listing such property should contain all the items commonly used around coal mines, and the assessors should insist that these forms be filled out fully and completely, listing the kind and number of the various items reported.

Other examples showing how carelessly the tax returns for personal property are sometimes filled out are the returns filled out for Mines A and B (See pages 67 and 68). The return from Mine A shows that only seven items are accompanied by a list showing the quantities of each article reported and many of the other items like ropes, pipes, safety lamps, lumber, and other equipment are reported in bulk with no description of kind or quantity given.

The return of Mine B reports all the personal property under eleven items with no description or list showing the quantity of each article reported. This return is obviously unsatisfactory because no attempt is made to itemize the equipment or to give enough information about it so that the assessor can determine whether it

is at least approximately right. Although the assessor doubled the total amount of this return as submitted by the company, to obtain its assessed value, he might even then have had no assurance that it was right, because the return had so little information on it to guide him. Doubling or tripling an incomplete return might not show the value at which a property should be assessed.

Bulking the property items on a tax return can be used as a perfect method of confusing the assessor and concealing the facts. This practice necessitates some form of regulation, because there can be no satisfactory solution to the assessment problem so long as assessors allow incomplete tax returns to be filed with no subsequent checks on such returns by property inspections.

If tangible property were required to be listed carefully and if in addition the State Tax Commissioner had inspections of properties made, from time to time, and independent physical appraisals made by mining engineers working from his office to compare such appraisal with the returns made to him by the companies, the task of assessing coal mining properties would be simplified, and put on an equitable basis in the various counties, provided that the county assessors and boards of equalization followed the instructions of the State Tax Commissioner.

The tax laws of West Virginia give the Tax Commissioner, with the approval of the Board of Public Works, "power to appoint competent persons to appraise property values and he may employ experts to examine and report upon different kinds and classes of property in the State, with a view to ascertaining the true and actual value thereof for assessment purposes, to the end that he may furnish to county assessors, county boards of review and equalization, and the State Board of Public Works, more accurate information, and more effectively aid and supervise the assessor and the county boards of review and equalization in their work of assessment and valuation of property for purposes of taxation."

With the problem of mineral taxation as complicated and involved as it is and in view of its importance in the tax problems of the State, it seems that a few mining engineers working out of the Commissioner's office, could collect and furnish the Commissioner and assessors with information and data so that assessments of coal properties could be made full, just, and equitable all over the State.

The significant fact which emerges from this study of methods of assessing coal lands and coal mines is the deplorable lack of a

real plan or policy of assessing coal properties in many counties of the State. The data assembled in this report indicate that there is a need to formulate a real assessment policy to insure equitable valuations for coal properties.

Surely it is possible to adopt a more clear cut policy in regard to the methods of assessment used in many counties at present. It is believed that if a series of conferences were held throughout the State between representatives of the coal operators, assessors and State Tax Commissioner, a policy in assessment methods might be established that would be reasonably satisfactory and equitable to every one. Any policies of assessment methods that result from such conferences should be published in the form of a manual so that as new assessors are elected to office they would have a reference book on the accepted methods of assessing coal properties to guide them.

Conferences on assessment policies should be held frequently and the assessment manual revised whenever necessary. As stated before, the subject of coal property valuation is a very complicated matter and can not be systematized too rigidly because it is characterized above all else by changes brought about by many factors. But much could be done to put methods of coal property valuation in this State on a more scientific basis than it is at present. The procedure of having conferences periodically would take account of changes which would modify assessment policies from time to time and would be the means of furnishing data to keep the assessment manual up-to-date, so that the assessor would have a continual understanding of assessment policies throughout the State.

Appendix to Chapter IV

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF WEST VIRGINIA.

In the matter of
GILBERT-DAVIS COAL CO., A CORPORATION
Bankrupt. } In Bankruptcy No. 910

We, the undersigned, having been notified that we were appointed to estimate and appraise the real and personal property of the aforesaid bankrupt, have attended to the duties assigned us, and after a strict examination and careful inquiry, we do estimate and appraise the same as follows:

TABLE IV—19

REAL ESTATE

	Undivided 5/6 interest in 22.54 acres Sewickley Coal, Hugh Lawlis Tract. Marked No. 3 on Mine Map. 10.16 acres unmined, at $200.00	$ 1,693.34
	(E. H. Gilbert et al. Tract)	
A.	173.304 acres Sewickley Coal. Tract Marked No. 15 on Mine Map. 65.64 acres unmined at $250.00	16,410.00
B.	79.447 acres Sewickley Coal, Liberty Fuel Tract. Marked No. 18 on Mine Map. 38.2 acres unmined, at $270.00	10,314.00
C.	26.75 acres Sewickley Coal, Martin Tract. Marked No. 8 on Mine Map. 4.59 acres unmined, at $270.00	1,229.30
D.	5.6 acres Pittsburgh Coal	560.00
E.	3.121 acres Surface	301.00
	1.48 acres Sewickley Coal unmined Marked No. 17 on Mine Map.	399.60
F.	26 acres Surface, Joe Martin Tract	3,750.00
	1—6-room House No. 91 (Church)	1,050.00
	20—4-room Houses No. 92 to 111	14,000.00
G.	30.25 acres Surface, W. E. Martin Tract	1,268.75
H.	5.81 acres Surface	1,680.00
I.	1—Tipple Complete, No. 1 Mine	27,500.00
	1—Substation and Equipment	6,250.00
	1—Fan and Motor	1,000.00
	1—Bit Shop and Equipment	25.00
	1—Trimmer's Shanty	25.00
	1—4-room House, No. 15-18	700.00
	Undivided 6/7 interest in 31.973 acres Sewickley Coal, McElroy Tract. Marked No. 4 on Mine Map. 17.74 acres unmined, at $250.00	3,801.43
	.975 acres Surface, Adaline Kennedy Tract	150.00
	10 acres Sewickley Coal, Lineberg Tract. Marked No. 7 on Mine Map. 3.71 acres unmined, at $270.00	1,001.70
	68.25 acres Sewickley Coal, Lewis Sutton Tract. 70.00 acres Sewickley Coal, Louisa Miller Tract. Marked No. 1 on Mine Map. 90.7 acres unmined, at $200.00	18,140.00

	(James Miller Heirs Tract)	
A.	3.38 arces Surface	1,017.00
	3.38 acres Pittsburgh Coal	339.00
	1—Office Building	1,000.00
	1—6-room House No. 128 and Out Buildings	2,000.00
	1—Lamp House	650.00
	(L. B. Sutton, Trustee Tract) (Guston Run Church)	
A.	.097 acres Surface	15.00
B.	.097 acres Pittsburgh Coal	10.00
C.	.097 acres Sewickley Coal	27.00
	.816 acres Sewickley Coal, Blaker Tract, Marked No. 13 on Mine Map. .38 acres unmined, at $250.00	95.00
	(Gilbert Fuel Tract)	
A.	37.47 acres Waynesburg Coal	(no value)
B.	3.335 acres Surface	250.00
C.	6400 Lbs. 16 Lb. Rails, Incline Track	100.00
	1—Dump on Tipple 1—Kick Back Dump 1—Incline Machine	150.00
	Tipple, etc.	(no value)
	1—3-room House, No. 118	525.00
	1—4-room House, No. 119	700.00
	1—4-room House, No. 120	700.00
	1—5-room House, No. 121	875.00
	1—3-room House, No. 122	525.00
	1—6-room Shanty, No. 112-115	450.00
	1—4-room Shanty, No. 116-117	300.00
	31.94 acres Surface Land, McElroy Tract, at $50.00	1,597.00
	(Bierer Coal Company Tract)	
A.	123.93 acres Sewickley Coal. Marked No. 6 on Mine Map. 70.78 acres unmined, at $270.00	19,110.60
B.	28.06 acres Sewickley Coal. Marked No. 9 on Mine Map. 21.13 acres unmined, at $270.00	5,705.10
C.	22.418 acres Sewickley Coal. Marked No. 2 on Mine Map. 15.61 acres unmined, at $200.00	3,122.00
D.	Undivided 1/6 interest in 22.541 acres Sewickley Coal. Marked No. 3 on Mine Map. 10.16 acres unmined, at $200.00	338.66
E.	Undivided 1/7 interest in 31.973 acres Sewickley Coal. Marked No. 4 on Mine Map. 17.74 acres unmined, at $250.00	633.57
F.	28.06 acres Surface, at $150.00	4,209.00
G.	1—Tipple and Equipment, Mine No. 2	3,500.00
	1—Reversible Fan and Motor	2,000.00
	1—Blacksmith and Car Repair Shop and Equipment	300.00
	7—5-room Houses, No. 19 to 25	6,125.00
	1—6-room House No. 29	1,050.00
	10—2-room Shanties, Nos. 131 to 140	1,500.00
	1—5-room Shanty, No. 30 to 32	375.00
	1—4-room Shanty, No. 33 to 36	300.00
	1—5-room Shanty, No. 37 to 42	375.00
	1—3-room Shanty, No. 43 to 44	225.00
	1—Sand House	300.00
	1—Grain House	200.00
	1—Pony Barn	150.00

(Soper-Mitchell Tract)	
59.877 acres Sewickley Coal. Southwest of Reed. 26.71 acres unmined, at $250.00	6,677.50
(Jessie Everly Tract)	
110.79 acres Sewickley Coal. Marked No. 11 on Mine Map. 107.51 acres unmined, at $175.00	18,814.25
(Coal Heirs Tract)	
125 acres Sewickley Coal. Marked No. 12 on Mine Map. 109.66 acres unmined, at $175.00	19,190.50
(Marion Lawlis Tract)	
137 acres Sewickley Coal, at $150.00	20,550.00
(Lee R. Shriver Tract)	
.15 acre Surface at Mouth of Scotts Run.....(no value)	
(Pursglove Coal Mining Co. Tract)	
100.08 acres Sewickley Coal. Marked No. 14 on Mine Map. 53.14 acres unmined, at $250.00	13,285.50
Reversionary interest in property leased to Nick Salvati	3,000.00
(Houses, Shanties, and Buildings not listed with various pieces of property)	
2—5-room Houses, Nos. 27 and 28	1,750.00
1—4-room House, No. 45	700.00
1—Boarding House, No. 129	2,500.00
1—Superintendent's House, No. 130	4,000.00
1—3-room House, No. 126	150.00
1—6-room Shanty, No. 46 to 51	450.00
1—3-room Shanty, No. 52	225.00
1—12-room Shanty, No. 55 to 66	900.00
1—24-room Shanty, No. 67 to 90	1,800.00
1—1-room Shanty, No. 127	50.00
1—Oil House	150.00
1—Supply House	1,000.00
1—Lamp House	650.00
1—Magazine	400.00
1—Harness House	100.00
2—Stables	1,100.00
Total Real Estate	$ 269,535.80

PERSONAL PROPERTY

(Miscellaneous Equipment)	
Contents of Supply House	$ 3,500.00
Contents of Office Building at Mine	1,150.00
Lamps and Lamp Charging Equipment in Lamp House	2,250.00
9—Transformers	1,800.00
1—Road Wagon and 1 Dump Wagon	50.00
1—Lot Harness	250.00
1—Pair Horses	100.00
26—Mules and Ponies	650.00

1—Fan (Not in Use)	50.00
1—Portable Sullivan Air Compressor	1,000.00
1—15-Ton Jeffrey Locomotive	3,500.00
3000—Ft. No. 2 Copper Line Wire, 600 Lbs.	96.00
25—Mine Cars	(no value)
3000—Ft. No. 6 Copper Line Wire, 240 Lbs.	38.00
148½—Tons 70-Lb. Rails in Sidings	4,588.00
11—Switches, 70-Lb.	1,375.00
(Inside Mine No. 2)	
2—6x6 Centrifugal Pumps, 75 H. P. Motor	824.00
1—3x3 Centrifugal Pump, 15 H. P. Motor	155.00
1—3x3 Centrifugal Pump, 5 H. P. Motor (burned out)	130.00
7—2x2 Plunger Pumps, 5 H. P. Motor	861.00
1—2x3 Plunger Pumps, 10 H. P. Motor	110.00
1—Sullivan C. E. 7 Mining Machine, 7½ Ft. Bar	750.00
4—Jeffrey 35 B Mining Machine, 7½ Ft. Bar	3,000.00
2—Jeffrey 8-Ton Trolley Locomotives	4,000.00
362—Mine Cars in use	15,840.00
56—Mine Cars in shop for repair	1,950.00
540—Tons 25-Lb. Mine Rails in Track, 1081082 Lbs. 106—Tons 40-Lb. Mine Rails in Track, 211200 Lbs. 67—Tons 60-Lb. Mine Rails in Track, 134600 Lbs.	22,100.00
192—25-Lb. Mine Switches in Place 12—40-Lb. Mine Switches in Place 5—60-Lb. Mine Switches in Place	7,300.00
9500—Ft. 2" Pipe (Good Condition)	712.00
1400—Ft. 3" Pipe (Good Condition)	224.00
1760—Ft. 6" Pipe (Good Condition)	792.00
18850—Ft. 4° Hard Drawn Trolley Wire, Copper 12100 Lbs.	1,936.00
13950—Ft. 2° Hard Drawn Trolley Wire Copper 5620 Lbs.	899.00
16800—Ft. No. 4 Machine Wire, Copper 2120 Lbs.	339.00
13400—Ft. 4° Soft Drawn Copper Wire, A. C. 8590 Lbs.	1,373.00
6000—Ft. 2° Soft Drawn Copper Wire, A. C. 2418	386.00
21450—Ft. No. 4 Soft Drawn Copper Wire, A. C. 2700 Lbs.	432.00
4—2x2 Plunger Pumps, 5 H. P. Motor	492.00
1—3x3 Centrifugal Pumps, 15 H. P. Motor	155.00
1—Jeffrey 35 B Mining Machine, 7-Ft. Bar	750.00
1—Jeffrey 8-Ton Trolley Locomotive	2,000.00
2—5-Ton Ironton Locomotive, converted to trolley 1—5-Ton Ironton Locomotive with Edison Batteries 2—5-Ton Ironton Locomotives (Junked)	1,500.00
1—M. G. Charging Set and Panel, 15 H. P. Motor 1—M. G. Charging Set and Panel, 40 H. P. Motor	1,000.00
1—Mine Track Scale (8 to 10 Ton)	100.00
122—Tons 20-Lb. Rails in Place, 242666 Lbs. 50—Tons 40-Lb. Rails in Place, 98667 Lbs. 28—Tons 60-Lb. Rails in Place, 56000 Lbs.	6,200.00
4800—Ft. 4° Hard Drawn Trolley Wire, 3076 Lbs.	492.00
8500—Ft. 2° Hard Drawn Trolley Wire, 3425 Lbs.	548.00
8—40-Lb. Mine Switches 50—25-Lb. Mines Switches	2,000.00
1600—Ft. 2" Pipe Line	120.00
2900—Ft. 3" Pipe Line	464.00
550—Ft. 6" Pipe Line	245.00
(Morgantown Office)	
4—Flat Top Desks	80.00
1—Flat Top Mahogany Desk	25.00
2—Swivel Chairs, Leather Set	8.00
1—Swivel Chair, Leather Seat and Back	5.00

4—Swivel Chairs, plain	12.00
1—Arm Chair, Oak	2.00
4—Arm Chairs, Mahogany, Leather Back and Seat	12.00
2—Straight Chairs—no Arms	3.00
1—Large Safe, Double Doors	100.00
1—Medium Safe, Double Doors	75.00
1—Small Safe, Double Doors	50.00
1—Gary Safe	20.00
2—Adding Machines (Burroughs)	100.00
1—Calculating Machine (Burroughs)	25.00
2—Typewriting Machines	40.00
1—Graphotype Machine	300.00
1—Addressograph Machine	200.00
1—Multigraph Machine	100.00
2—Fans	10.00
1—Fan	2.00
3—Clothes Trees	1.50
4—Waste Baskets	1.00
3—Waste Baskets	1.50
1—Wood Filing Cabinet, 4 Drawers	4.00
1—Art Metal Filing Cabinet, 4 Drawers	12.00
1—Y. & E. Filing Cabinet, Wood, 12 Drawers	12.00
4—Filing Cabinets, Wood, 4 Drawers each	16.00
1—Wood Filing Cabinet, 8 Drawers	8.00
3—Wood Drawers for Filing Cabinet	3.00
1—Typewriter Desk, Plain Mahogany, Glass Top	15.00
1—Typewriter Desk, Plain Mahogany, Drop Top	20.00
1—Typewriter Desk, Oak, Drop Top	7.00
1—Typewriter Desk, Oak, Drop Top	5.00
1—Typewriter Chair	4.00
2—Tables, Mahogany, Glass Top	20.00
2—Cupboards, Mahogany	12.00
1—Book Case (5 Sect.)	18.00
Miscellaneous Trays, Files, etc	10.00
Total Personal Property	$ 101,915.00
Accounts Receivable	$ 5,000.00
Stock in South Penn (Mine worked out and Abandoned). (No value.)	

Summary:	
Real Estate	$ 269,535.80
Personal Property	101,915.00
Accounts Receivable	5,000.00
Total Appraisement	$ 376,450.80

IN WITNESS WHEREOF, we have hereunto set our hands, at Morgantown, West Virginia, this the 31st day of May, 1930.

A. G. TAIT
STEPHEN ARKWRIGHT
A. W. LOUTHER

Chapter V

ASSESSMENT OF REAL ESTATE

THE success of the general property tax depends upon the quality of the assessments. If assessments are very unequal the foundation of the entire tax structure is unsound. Inequality of assessments means that those underassessed pay less than their share of public expenses and those overassessed pay their full share and, in addition, they have to make up for what the underassessed fail to pay. The greater the inequalities of assessment the greater the inequalities of the taxes and the more grievous the burdens upon those who find it most difficult to meet their obligations.

In a state like West Virginia, where the general property tax furnishes most of the combined state and local revenues, good assessments are unusually important. Furthermore, because such a large proportion of the total revenues come from taxes on real estate it is all the more vital in this State that real estate assessments shall be efficient and equitable.

The general tendency of locally elected assessors everywhere to undervalue property and the tendency towards inequality of assessment between different individuals, different classes of property, and different taxing districts has been noted in the preceding chapter. Undervaluation may not be a serious matter if all property is undervalued alike. If, for example, all property is appraised at fifty per cent instead of at one hundred per cent of its fair value, then it is merely necessary to have twice as high a tax rate to raise the same revenue and everybody pays just the same amount of taxes as upon a one hundred per cent valuation with the lower tax rate.

If, however, there is inequality in assessment between individuals, classes of property, or taxing districts, the same tax rate results in unduly heavy exactions from those assessed above the average and unduly small contributions from those assessed below the average.

Previous investigations and reports have commented upon the poor assessments in this State. The report of the well-known Tax Commission of 1901-02 emphasized "the under valuation of almost all the property of the State, the disproportionate valuation of

various kinds of property and the unequal standards of assessment." This famous tax report preceded the still more famous state reassessment under Governor Dawson. Similar comments have been made repeatedly by state auditors, tax commissioners, and other officials, both before and after this report was made.

In 1925 the National Industrial Conference Board published a study, *The Tax Problem in West Virginia,* that was sponsored by the West Virginia Manufacturers' Association. Despite differences of opinion about the merits of this report and its conclusions, it cannot be denied that it drew a strong and convincing indictment of the very bad situation with reference to assessments. This indictment was based largely upon investigations made by West Virginia tax commissioners and the United States Census Bureau.

The Tax Commission of 1926-27 again emphasized the "serious discrepancies between the values as shown on the tax records and the actual value of the properties assessed." At the hearings held by this commission, there were presented comparisons of sale prices and assessed valuations of about 400 properties in 15 different counties for 1925, in addition to the 5,698 cases from 34 counties cited by the National Industrial Conference Board for 1923. These data were shown by averages for each county cited. Not all of the counties were represented and, besides, averages conceal the discrepancies of assessments. Nevertheless, they indicated a very bad state of affairs, so bad that the commission recommended a radical change in assessment and equalization methods in order to bring about equality.

In view of numerous reports of unequal assessments in this State, and in view of the further fact that the assessment methods employed by West Virginia inevitably lead to poor appraisals and great injustice, it has been thought best to test out the results and the actual situation as it exists today.

Within the limits of time and funds available, it has not been possible to make a thorough survey of all property in the State. It has been possible, however, to take samples of a few classes of property in every part of the State and it is believed that these are indicative of the efficiency and justice, or inefficiency and injustice, of the existing system.

Almost certainly, the greatest inefficiency is in the assessment of personal property. Elsewhere in this *Report* are given some data regarding certain classes of this kind of property, but a complete study was not made because most of the funds and time available

could be spent much more fruitfully checking assessments of real estate.[1] Not only is this latter class of property by far the most important as a revenue producer, it is also the least difficult to investigate with something approaching scientific accuracy. Sales of real estate, as well as assessments, are matters of public record. Something is known of the value of one piece of land as compared with another near by, and it is practical to make comparisons on a wide scale. It is much less practical to test assessments of many classes of personal property. Hence a considerable amount of attention has been given to comparing sale prices of real estate with appraisals made by assessors.

Difficulties are met, however, even in the checking of real estate assessments. In the majority of deeds, only nominal considerations are given. This is especially true in the larger cities and with the larger properties. It is practically certain that these are underassessed to a greater degree than smaller properties. (See Charts pp. 12 and 13.) This means that not only the majority of parcels but also those probably showing the greatest underassessment and the greatest inequalities of assessment must be excluded from our samples. Others that have been eliminated are forced sales, "shoestring" sales, and sales between relatives.

The statute says: "All property shall be assessed annually as of the first day of January at its true and actual value; that is to say, at the price for which such property would sell if voluntarily offered for sale by the owner thereof, upon such terms as such property, the value of which is sought to be ascertained, is usually sold, and not the price which might be realized if such property was sold at a forced sale."[2]

It is not claimed that sale prices, even when the above eliminations are made, are always the "true" or "fair" values of the properties sold. It is believed, however, if a reasonably large num-

[1] The State Tax Commission of 1926-27 said: "The effort to reach personal property through the general property tax has been a complete failure in this State. Competent authorities estimate that the personal property within the State's jurisdiction is valued at considerably more than $2,000,000,000, while the amount which finds its way to the assessor's books is approximately $400,000,000. [In 1930, $335,551,136.] It will thus be seen that this form of taxation is only twenty per cent effective in our State." (*Report,* p. 178.)

Consider, for example, the case of automobiles all of which are of state record and all of which have approximate standard valuations. And yet only half of those registered are found by county assessors and the average valuation in 1929 was only $185. The average in Pendleton county was $109 and in Ohio county, $330. With any reasonable effort and any reasonable coordination or system, such a thing could not happen. What must happen in the case of other personal property much less easy to list and appraise? A glance at the tables of assessment, a glance at bank and other reports, and common knowledge suggest the answer. (See Tables XIV—6, XIV—8, pp. 422, 424-426, as well as most others in the Appendix at the end of this *Report.)*

[2] West Virginia Code of 1931, c. 11, art. 3, sec. 1.

ber are combined, that they are fairly representative and comparable, and that a pretty fair picture of the general situation may be obtained.

Investigators were sent into every county of the State. They consulted the county clerks and assessors, and took 1,355 usable samples from their official records, besides a good many others which have been eliminated for one reason or another. In a few cases properties themselves were looked up, and some county boards of equalization and others were consulted. Besides this, a great deal of confirmatory information was gathered that cannot be presented in the usual statistical forms.

Nearly all of the sales and assessments used are of 1929. A very few 1928 and 1930 sales were included where it was difficult to secure sufficient satisfactory ones for 1929. In the exercise of the necessary economy of time and expense, it was not possible to get the same number of samples in each county, particularly the same number of each class of real estate. Usually the investigator spent a day at each county seat, and was able to get between twenty and thirty cases in that time. The number that he could get was affected by the way the records were kept, the number of cases that had to be excluded, the convenience of train and bus schedules, and other factors. In a few counties, an extra day or more was spent to make up deficiencies, though in some cases it was impracticable to get a sufficient number of usable farm sales. As already mentioned, it was possible to get very few usable sales of the larger urban, industrial, coal, or other properties typical of modern industrial values which are so difficult for inexpert assessors to appraise.

Due to the relatively small number of cases secured in each county, it is not believed that as much reliance can be put in the representative character of the samples for a single county as in the combined data for the State as a whole. For reasons already mentioned it is probable that the samples show somewhat less underassessment and less inequality than actually exists. At any rate, they are indicative of a very chaotic and inequitable tax situation throughout the entire State.

Following are a few examples of the 1,355 parcels of real estate whose sale prices and assessed values are compared. Ten or twenty cases from each class have been selected more or less at random from different counties in the State to show typical inequalities of assessment. Some of the better and some of the poorer assessments are shown but none of the very worst are included. For example, taking the first county alphabetically, the two farms shown for Barbour county were assessed at 43.86% and 123.71% of their respective sale prices. That is, the latter farm was appraised nearly three times as high as the former but other farms in the same county could have been selected which showed still greater discrepancies. The percentage of assessed values to sale prices for farms investigated in Barbour county ranged from 9.44% to 160%; for lots, from 50% to 183%; and for tracts, from 3.28% to 50%. Similar statements could be made regarding the other examples shown in the tables.

TABLE V—1: FARMS (SAMPLES)
SALE PRICES COMPARED WITH ASSESSED VALUES

County	Sale Price	Assessed Value			
		1928	1929	1930	Per Cent of Sale Price, 1929
Barbour	$3,500	$1,535	$1,535	$ ..	43.86
Barbour	1,738	2,150	2,150	..	123.21
Cabell	1,500	1,300	1,170	1,170	78.00
Jefferson	1,600	200	200	..	12.50
Jefferson	28,989	27,600	23,730	..	81.86
Kanawha	3,000	450	450	..	15.00
Lincoln	1,000	740	740	..	74.00
McDowell	1,200	..	625	625	52.08
McDowell	2,500	100	100	..	4.00
Monongalia	3,795	6,225	6,225	..	164.03
Monongalia	6,600	..	4,600	4,200	69.69
Preston	3,200	2,410	2,410	..	75.31
Preston	790	200	200	..	25.32
Ritchie	4,000	4,930	4,930	..	123.25
Ritchie	1,500	..	220	..	14.66
Tucker	4,200	6,400	6,400	..	152.38
Tyler	10,000	7,250	7,250	..	72.50
Tyler	2,000	600	600	..	30.00
Wirt	5,000	6,300	6,300	..	126.00
Wyoming	1,875	770	770	..	41.06

TABLE V—2: URBAN LOTS—IMPROVED AND UNIMPROVED (SAMPLES) SALE PRICES COMPARED WITH ASSESSED VALUES

County	Sale Price	Assessed Value			
		1928	1929	1930	Per Cent of Sale Price, 1929
Cabell	$1,000	$1,070	$ 860	$ 860	78.18
Cabell	17,500	5,400	4,320	4,320	24.69
Cabell	1,400	8,875	7,100	7,100	507.14
Jefferson	5,000	1,675	1,675	..	33.50
Jefferson	32,500	15,000	15,000	..	46.15
Harrison	7,000	4,600	4,600	..	65.71
Harrison	500	200	200	..	40.00
Kanawha	1,100	2,800	2,800	..	254.55
Kanawha	2,300	800	800	..	34.78
McDowell	800	..	1,000	900	125.00
Mingo	12,500	..	3,625	3,625	29.00
Mingo	1,000	..	1,160	1,160	116.00
Monongalia	15,000	10,000	10,000	..	66.66
Ohio	37,500	3,300	6,300	..	16.80
Ohio	3,800	3,100	3,100	..	81.58
Roane	30,000	10,000	10,000	..	33.33
Upshur	1,000	1,770	1,970	1,610	197.00
Wood	3,200	250	250	..	7.81
Wood	723	1,200	1,200	..	165.92
Wyoming	5,000	650	650	..	13.00

TABLE V—3: TRACTS—IMPROVED AND UNIMPROVED (SAMPLES) SALE PRICES COMPARED WITH ASSESSED VALUES

County	Sale Price	Assessed Value			
		1928	1929	1930	Per Cent of Sale Price, 1929
Hancock	$1,200	$1,400	$1,400	$..	116.67
Hancock	800	100	100	..	12.50
Hardy	1,267	1,040	1,040	..	82.08
Jackson	190	60	60	..	31.58
Logan	4,200	1,400	1,400	..	33.33
Kanawha	1,000	700	700	..	70.00
Kanawha	600	1,300	1,300	..	216.67
Lewis	225	50	50	..	22.22
Lincoln	900	155	155	..	17.22
Lincoln	100	470	470	..	470.00
McDowell	15,000	20,950	20,950	..	139.67
Monongalia	3,000	..	125	100	4.16
Monongalia	1,202	400	400	..	33.00
Monongalia	1,000	2,400	2,400	..	240.00
Raleigh	1,000	50	50	..	5.00
Raleigh	100	210	210	..	210.00
Randolph	550	690	690	..	125.45
Wayne	1,000	150	150	..	15.00
Wayne	225	335	335	..	148.89
Webster	1,400	960	960	..	68.57

TABLE V—4: COAL AND TIMBER LAND [a] SALE PRICES COMPARED WITH ASSESSED VALUES

County	Sale Price	Assessed Value			
		1928	1929	1930	Per Cent of Sale Price, 1929
Monongalia	$44,735	$2,400	$2,400	$2,200	5.26
Webster	1,300	275	275	..	21.15
Harrison	500	200	200	..	40.00
Monongalia	6,017	3,000	3,000	..	49.85
Marshall	1,625	1,000	1,000	..	61.54
Gilmer	1,200	1,090	865	..	72.08
Harrison	1,620	..	1,600	..	98.76
Brooke	12,100	10,000	5,000	..	41.32
Mineral (Timber Land)	815	1,010	1,010	..	123.86

a—These are different properties from those discussed in Chapter IV.

The average assessed value of the entire 1,355 parcels of real estate investigated is 65.22% of the total sale prices. For the 537 farms, the average is 69.64%; for the 534 lots the average is 64.39%; for the 275 tracts, the average is 61.49%. The number of coal and timber tracts is too small for the average to be very significant. Following is a table giving the averages and also the extreme high and low percentages of assessed values to sale prices for each of the three classes of which a substantial number of samples were investigated.

TABLE V—5: REAL ESTATE ASSESSMENTS COMPARED WITH SALE PRICES—RANGE OF VARIATIONS AND AVERAGES—WEST VIRGINIA, 1929

Class of Real Estate	No. of Samples	Percentage of Assessed Value to Sale Price		
		High	Low	Average
Farms	537	596.66	2.22	69.64
Lots	534	1,500.00	2.78	64.39
Tracts	275	955.00	0.55	61.49
Coal and Timber Land	9	123.86	5.26	..
Total	1,355	1,500.	0.55	65.22

It may be suggested that the inequalities are due to having better assessors in some counties than in others. Doubtless this is a very important factor, but there are very wide discrepancies within every county. This is shown by the accompanying table (No. V—6) which should be examined in the light of the following explanations.

TABLE V—6: RATIOS OF REAL ESTATE ASSESSMENTS TO SALE PRICES—BY COUNTIES

ALL CLASSES OF REAL ESTATE COMBINED

(Note cautions and explanations in text)

(Percentages appear in last four columns)

County	No. of Cases	High	Low	Median	Average
Barbour	20	200.00	3.28	62.50	80.48
Berkeley	24	132.50	7.50	48.81	36.29
Boone	30	955.00	18.00	60.62	72.16
Braxton	27	180.00	1.25	68.00	68.17
Brooke	32	1500.00	8.08	66.67	52 06
Cabell	24	705.31	48.00	79.60	76.96
Calhoun	21	115.00	26.66	67.50	83.10
Clay	26	200.00	0.55	35.00	35.96
Doddridge	23	180.32	33.10	89.00	83.09
Fayette	25	280.00	16.67	74.24	60.79
Gilmer	20	596.67	3.00	66.51	52.24
Grant	33	172.72	5.00	48.00	58.52
Greenbrier	24	190.00	3.64	43.54	52.32
Hampshire	30	107.69	2.22	47.72	54.37
Hancock	18	233.33	12.50	90.99	65.59
Hardy	25	90.91	10.07	46.15	47.87
Harrison	34	200.00	33.33	66.67	71.63
Jackson	16	277.78	25.00	46.51	43.91
Jefferson	21	457.14	12.50	50.47	66.49
Kanawha	23	254.55	15.00	60.00	59.52
Lewis	18	332.00	20.00	67.26	59.68
Lincoln	24	480.00	17.22	66.18	64.51
Logan	28	300.00	5.00	52.50	64.63
McDowell	26	300.00	4.00	47.50	85.85
Marion	27	500.00	15.87	82.85	104.41
Marshall	19	466.67	19.84	85.00	64.07
Mason	24	220.00	24.00	62.67	57.13
Mercer	25	300.00	10.86	50.00	50.16
Mineral	18	233.33	26.67	67.50	74.93
Mingo	23	430.00	8.33	66.67	46.60
Monongalia	32	500.00	4.16	42.25	64.70
Monroe	24	250.00	16.67	65.50	69.04
Morgan	22	540.00	41.67	72.84	83.23
Nicholas	28	225.00	11.30	65.72	72.88
Ohio	28	220.79	16.80	75.00	54.63
Pendleton	26	213.33	2.86	40.70	44.34
Pleasants	19	185.00	44.44	90.00	67.29
Pocahontas	29	400.00	10.00	60.00	68.22
Preston	30	300.00	25.32	74.32	76.39
Putnam	21	233.00	33.33	66.67	67.88
Raleigh	23	247.05	4.00	61.67	53.17
Randolph	19	508.89	20.95	90.91	96.17

TABLE V—6: (Continued)

(Percentages appear in last four columns)

County	No. of Cases	High	Low	Median	Average
Ritchie	22	233.33	14.66	93.14	93.15
Roane	19	111.48	5.00	50.00	48.38
Summers	30	440.00	2.00	88.25	82.40
Taylor	30	216.85	26.00	71.42	71.87
Tucker	26	250.00	66.67	114.28	122.10
Tyler	23	269.12	20.00	85.00	87.12
Upshur	29	313.33	3.33	65.63	70.86
Wayne	26	295.00	11.72	82.29	88.68
Webster	32	120.00	11.42	69.23	58.31
Wetzel	25	140.00	30.55	72.22	69.54
Wirt	21	208.67	38.39	83.33	91.46
Wood	18	165.92	7.81	66.92	64.48
Wyoming	25	92.00	8.00	40.00	32.14
Total	1,355				

The 1,355 cases probably give a fairly good picture for the State as a whole but the number of cases in each county is too small for one to be sure that they are typical of the county. Because of this, comparisons of one county with others are likely to be misleading. If there were ten times as many cases for each county, they would probably be more representative and then county comparisons would be safer. More cases would show more extremes of inequalities, but the averages might be either raised or lowered. The averages would certainly be more reliable than the ones calculated from the few numbers for each county given in the accompanying table.

The "median" represents the middle property in each county, that is, there are just as many parcels assessed higher as there are assessed lower than the median property. The "average" is affected more by large properties. For example, one large property may affect the average as much as ten small properties, whereas each one affects the median in the same degree, regardless of its size.

This table is given to show the range of inequality of assessment in each county, and it shows that strikingly. But too much reliance should not be attached to the medians or averages for purposes of comparison between counties. As mentioned above, however, the number of cases for the State as a whole is sufficient to give a fairly good picture of the State situation.

In a study of the efficiency of an assessing system, averages are likely to be misleading. A good average does not necessarily indicate good assessments. For example, two similar properties might

TABLE V—7: FARMS

SUMMARY BY GROUPS ACCORDING TO PERCENTAGES OF ASSESSED VALUES TO SALE PRICES

(Percentages appear in last five columns)

Farms Assessed at—% of Sale Price	No. of Farms in Groups	No. of Acres in Groups	Sale Price		Assessed values Total (1929)	Ratio of Assessed Values to Sale Prices	Group Forms % of Total According to			
			Average per Acre	Total for Group			No. of Cases	No. of Acres	Assessed Value Totals	Sale Price Totals
0–10	6	180	$41.51	$ 7,462	$ 395	5.29	1.12	.46	.05	.64
10–20	15	585	45.16	26,346	3,715	14.10	2.79	1.49	.46	2.28
20–30	26	1,282	62.33	79,855	19,365	24.88	4.84	3.26	2.47	6.91
30–40	51	2,976	41.05	122,161	432,220	35.87	9.50	7.58	5.37	10.57
40–50	64	3,110	38.19	118,785	51,595	43.44	11.92	7.92	6.41	10.28
50–60	50	2,908	42.32	123,067	67,120	54.54	9.31	7.40	8.34	10.66
60–70	63	5,510	37.57	207,044	133,961	64.70	11.73	14.03	16.65	17.91
70–80	47	3,404	29.25	99,539	74,771	75.12	8.75	8.67	9.29	8.61
80–90	34	3,021	33.05	99,860	82,750	82.87	6.33	7.69	10.28	8.64
90–100	33	2,609	21.66	56,497	53,715	95.08	6.14	6.64	6.67	4.89
100–110	46	5,166	17.41	89,775	93,170	103.78	8.57	13.13	11.58	7.77
110–120	21	1,818	20.54	37,350	42,565	113.96	3.91	4.63	5.29	3.23
120–130	17	1,486	18.27	27,138	33,675	124.09	3.17	3.78	4.18	2.35
130–140	9	673	14.48	9,750	13,230	135.69	1.68	1.71	1.64	.84
140–150	11	1,110	10.07	11,170	15,965	142.84	2.05	2.82	1.98	.97
150–200	28	2,183	14.88	32,487	55,071	169.52	5.21	5.56	6.84	2.81
200–300	10	888	6.78	6,026	13,705	227.43	1.86	2.26	1.70	.52
Over 300	6	381	3.81	1,450	6,405	441.72	1.12	.97	.80	.13
Totals	537	39,280	$29.42	$1,155,762	$804,883	69.64	100.	100.	100.	100.

See Table XIV—10 in the The Appendix at end of Report for comparative table of North Carolina farm assessments.

be assessed at 5% and 195% of their respective true values; the average would be perfect, 100%, but it serves to conceal the deviations from the average. These deviations are the significant facts. In these two cases, one owner is called upon to pay 39 times as much tax as the other on the same amount of property. This gross inequality would not be indicated at all by the average. Even greater discrepancies than this exist between the valuations of different properties in this State, though in the majority of cases the deviations are not so great, of course. It is quite unjust, however, if a substantial part of the property of the State is assessed even as much as two or three times as high as other substantial parts, and this is the case in West Virginia.

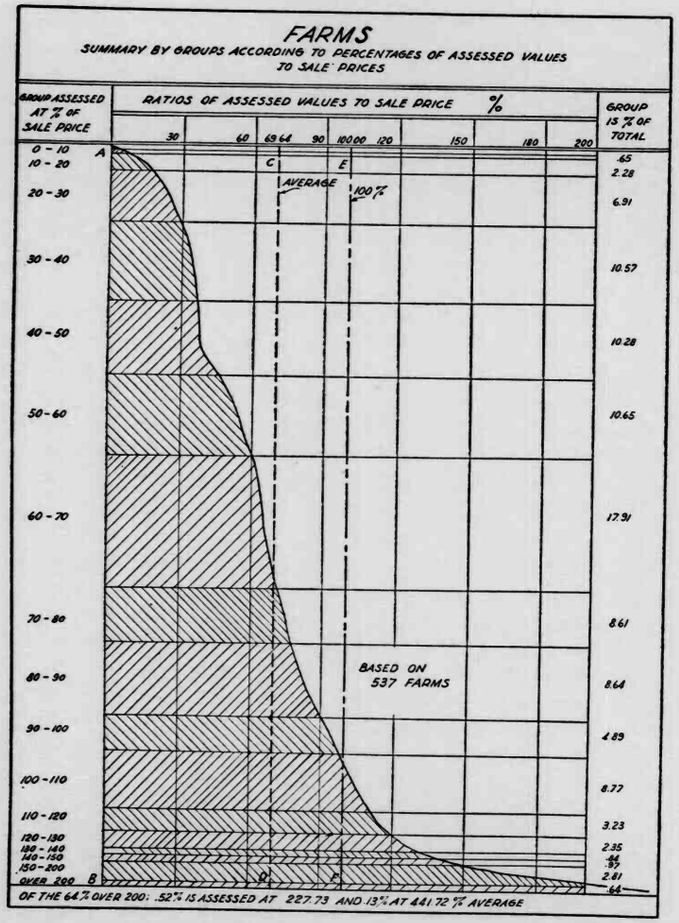
Accompanying are tables (Nos. V—7, V—8, V—9, V—10) which show by 10% brackets what parts of the properties investigated fall within each percentage group.

Taking first the table of farms (No. V—7), we see that only about a fourth of the total (26.53% of total sale prices; 20.48% of total number of farms) were assessed between 60% and 80% of the sale prices. If practically all had been assessed within this range centering near the average, the assessments would be fairly equitable, although the appraisals in the upper part of this central group are a third higher than those in the lowest part of the same group. Of course, such assessments are much below the "true and actual value" contemplated by the statute, but so long as all are treated alike, or nearly alike, no great amount of injustice is done. But as only a small part of the total is thus valued at near the average, the assessment is far from satisfactory.

If nearly all the other three-fourths were valued close to the appraisals of this central group, the efficiency of the assessment, while not good, would not be so very bad. But examination of the table shows that if the range is extended from 50% to 90% of sale prices, still this enlarged group takes in less than half the total (45.81% of total sales; 36.13% of total numbers). The farms in the upper part of this group assessed at 90% are valued almost twice as high as those in the lower part assessed at 50%, so that if all were in this wide group, the inequality between the upper and lower parts would be unreasonably great. But when less than half of the total comes within this group, it indicates that the inequality and the injustice are very unreasonable in extent.

If we extend the group still further to include all farms that were assessed at from 40% to 100% of their sale prices, we still

CHART V—1



have only 60.98% of the total by sale prices, or 54.19% of the total by number. Within this extended group, the upper part is assessed two and one-half times as high as the lower, and without this group there are more than a third of the total properties assessed at percentages that deviate still very much further from this average. For example, the upper tenth is assessed at about eight or ten times the lower tenth, and the upper one per cent at 80 to 90 times the lowest one per cent of the total.

These discrepancies are brought out more graphically in the accompanying charts (Nos. V—1, V—2, V—3, V—4).

Similar analyses of the assessments of tracts and urban real estate show similar if not worse inequalities than the assessed valuations of farms. (Tables V—8, V—9, V—10, and Charts V—1, V—2, V—3, V—4.)

EXPLANATION OF CHARTS

The distribution of assessments is presented graphically in Charts V—1, V—2, V—3, and V—4. In each chart, the cross-hatched sections bounded by the long curved line represented the relative sizes of the groups that were assessed at the percentages of sale prices indicated by the scale on the left. If all properties had been assessed at 100%, the entire area to the left of vertical line E F would be cross-hatched, but none to the right of this line. That is, unshaded portions to the left of this line represent selling prices of properties under-assessed and shaded portions to the right represent selling prices of properties over-assessed. C D is the line of average assessment.

Charts presenting the same data in a different way are included in the Summary of this report (Chapter I, Charts I—3, I—4, I—5, I—6, pages 15-18.) These Charts are based on Tables V—7, V—8, V—9, and V—10.

CHART V—2

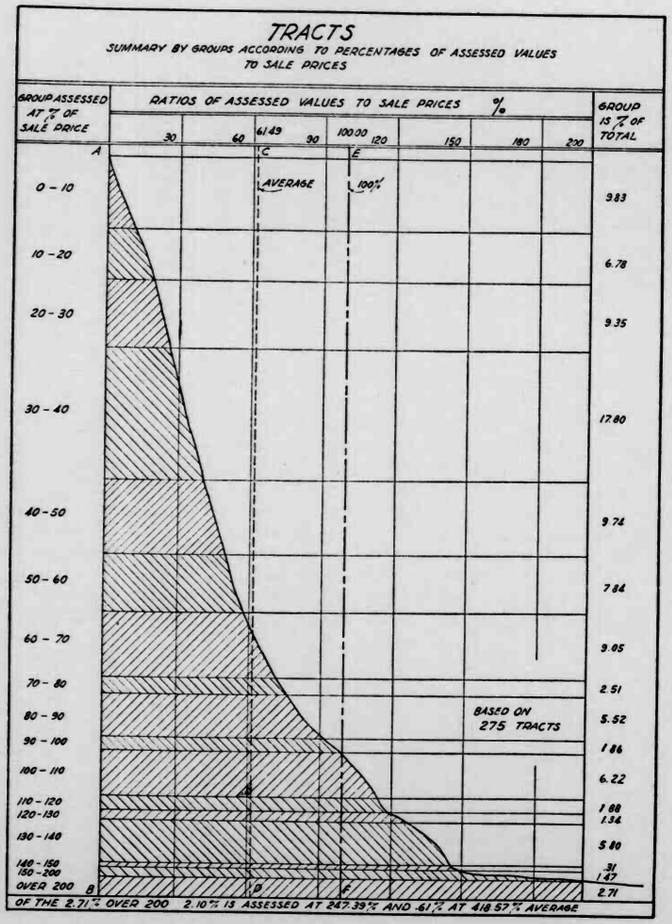


CHART V—3

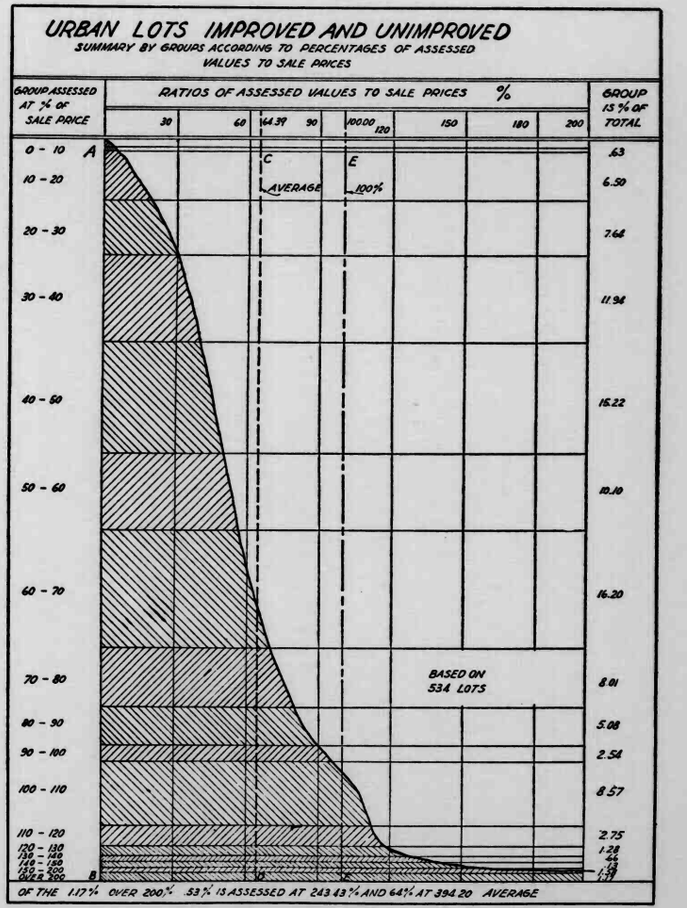


CHART V—4

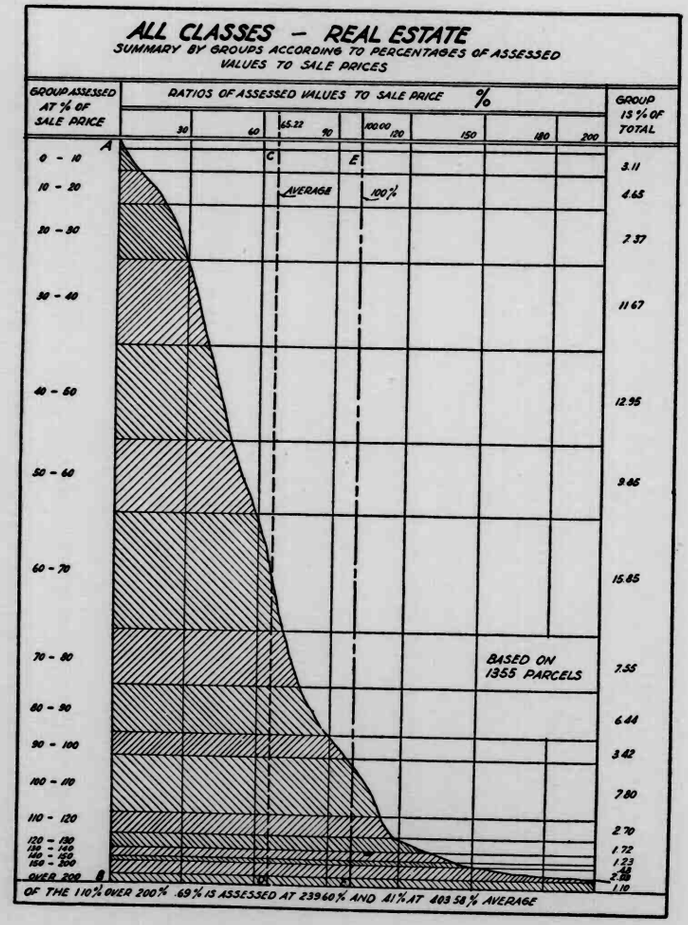


TABLE V—8: TRACTS

SUMMARY BY GROUPS ACCORDING TO PERCENTAGE OF ASSESSED VALUES TO SALE PRICES

(Percentages appear in last four columns)

Tracts Assessed at % of Sale Price	No. in Group	Sale Price	Assessed Value	Ratio of Assessed Value to Sale Price	Group Forms % of the Total According to		
					No. of Cases	Assessed Value	Sale Price
0–10	17	$27,775	$1,527	5.50	6.18	.88	9.83
10–20	16	19,157	3,080	16.08	5.82	1.77	6.78
20–30	29	26,426	6,335	23.97	10.54	3.64	9.35
30–40	35	50,305	16,930	33.65	12.73	9.74	17.80
40–50	24	27,539	12,630	45.86	8.73	7.26	9.74
50–60	18	22,070	11,870	53.78	6.54	6.82	7.81
60–70	24	25,595	16,450	64.27	8.73	9.46	9.05
70–80	12	7,100	5,305	74.72	4.36	3.05	2.51
80–90	19	15,611	13,020	83.40	6.91	7.52	5.52
90–100	5	5,325	5,005	95.79	1.82	2.88	1.88
100–110	22	17,580	17,985	102.30	8.00	10.35	6.22
110–120	5	5,300	6,170	116.42	1.82	3.55	1.88
120–130	8	3,800	4,710	123.95	2.91	2.71	1.34
130–140	4	16,400	22,815	139.12	1.45	13.13	5.80
140–150	3	875	1,275	145.72	1.09	.73	.31
150–200	13	4,150	6,860	165.30	4.73	3.95	1.47
200–300	13	5,940	14,695	247.39	4.73	8.45	2.10
Over 300	8	1,707	7,145	418.57	2.91	4.11	.61
Totals....	275	282,655	173,807	61.49	100.00	100.00	100.00

TABLE V—9: URBAN LOTS, IMPROVED AND UNIMPROVED

SUMMARY BY GROUPS ACCORDING TO PERCENTAGE OF ASSESSED VALUES TO SALE PRICES

(Percentages appear in last four columns)

Lots Assessed at % of Sale Price	No. of Lots in Group	Sale Price	Assessed Value	Ratio of Assessed Value to Sale Price	Group Forms % of the Total According to		
					No. of Cases	Assessed Value	Sale Price
0–10	8	$8,425	$ 490	5.82	1.50	.06	.63
10–20	20	87,010	14,340	12.96	3.75	1.67	6.50
20–30	35	102,263	27,380	26.77	6.55	3.18	7.64
30–40	58	159,738	57,235	35.83	10.86	6.64	11.94
40–50	51	203,660	92,659	45.50	9.55	10.75	15.22
50–60	55	135,192	72,445	53.59	10.30	8.41	10.10
60–70	70	216,836	140,645	64.86	13.11	16.32	16.20
70–80	47	107,211	79,560	74.21	8.80	9.23	8.01
80–90	40	67,975	56,985	83.83	7.49	6.61	5.08
90–100	25	33,961	31,660	93.22	4.68	3.67	2.54
100–110	30	114,700	122,665	106.94	5.62	14.23	8.57
110–120	23	36,771	41,780	113.62	4.31	4.85	2.75
120–130	10	17,175	20,775	121.96	1.87	2.41	1.28
130–140	11	8,831	11,963	135.47	2.06	1.39	.66
140–150	3	1,750	2,520	144.00	.56	.29	.13
150–200	20	21,146	37,440	177.01	3.75	4.34	1.58
200–300	17	7,076	17,225	243.43	3.18	2.00	.53
Over 300	11	8,625	34,000	394.20	2.06	3.95	.64
Totals....	534	$1,338,344	$ 861,767	64.39	100.00	100.00	100.00

TABLE V—10: ALL CLASSES OF REAL ESTATE—TOTAL
SUMMARY BY GROUPS ACCORDING TO PERCENTAGE OF ASSESSED VALUES TO SALE PRICES

(Percentages appear in last four columns)

Assessed at % of Sale Price	Number in Group	Sale Price	Assessed Value	Ratio of Assessed Value to Sale Price	Group Forms % of the Total According to		
					No. of Cases	Assessed Value	Sale Price
0–10	32	$ 88,398	$ 4,812	5.44	2.36	.26	3.10
10–20	51	132,513	21,135	15.95	3.76	1.14	4.65
20–30	91	209,844	53,855	25.66	6.71	2.90	7.37
30–40	144	332,205	117,385	35.34	10.62	6.32	11.67
40–50	142	368,602	165,084	44.79	10.47	8.89	12.95
50–60	123	280,329	151,435	54.02	9.07	8.16	9.85
60–70	158	451,100	292,056	64.74	11.65	15.74	15.85
70–80	107	215,049	160,501	74.63	7.89	8.65	7.55
80–90	93	183,446	152,755	83.27	6.86	8.23	6.44
90–100	64	97,403	91,980	94.43	4.72	4.96	3.42
100–110	98	222,055	233,820	105.30	7.23	12.60	7.80
110–120	49	79,421	90,515	113.97	3.61	4.88	2.79
120–130	36	48,928	60,170	122.98	2.66	3.24	1.72
130–140	24	34,981	48,008	137.24	1.77	2.59	1.23
140–150	17	13,795	19,750	143.17	1.25	1.06	.48
150–200	61	57,783	99,371	171.97	4.50	5.35	2.03
200–300	40	19,042	45,625	239.60	2.95	2.46	.69
Over 300	25	11,782	47,550	403.58	1.92	2.57	.41
Totals....	1,355	$2,846,676	$1,855,807	65.22	100.00	100.00	100.00

If one is still not convinced of the chaotic and unjust tax situation in this State after examining the above summary tables, let him take up the individual properties county by county.

In the first county alphabetically, Barbour, the first three farms listed were assessed at 160%, 35.19%, and 9.44% of their respective sale prices. Three lots listed consecutively were assessed at 54.35%, 171.43%, and 183.33%, respectively, of their sale prices.

In Boone county three tracts listed consecutively were assessed at 23.53%, 955.00%, and 142.86% of their sale prices.

In Braxton, a tract that sold for $1,500 was assessed at $875 (58.33%); another that sold for $250 was assessed at $330 (132%); and another that sold for $800 was assessed at $10 (1.25%).

In Brooke, a lot that sold for $40 was assessed at $600 (1500%); another than sold for $650 was assessed at $100 (15.38%); and another that sold for $19,000 was assessed at $2,000 (10.53%).

In Clay, a small farm that sold for $450 was assessed at $460 (102.22%); another that sold for $712.50 was assessed at $50 (7.01%) and a tract that sold for $1,800 was assessed at only $10 (0.55%).

In Fayette, a lot that sold for $5,500 was assessed at $2,100 (38.18%), and a tract that sold for $500 was assessed at $1,400 (280%).

In Gilmer, a small tract assessed at $100 in 1929 was sold that year for $2,500 and the assessment was raised in 1930 to $600.

In Monongalia, a five-acre tract was assessed at $125 in 1929; it sold that year for $3,000, and the assessment in 1930 was reduced to $100.

Only properties sold have been included in the 1,355 cases compared. Leased properties have been excluded because terms of leases are not easily compared with sale prices. It might be informing, however, to give at least one example of leased property. A certain property in Ohio county was leased in 1928 for 99 years at an annual rental of $26,400. The land was assessed January 1, 1929, at $19,800 and the improvements at $25,200, total $45,000. The present worth of the annual payments at 6% interest amounts to $436,470. The lease provides for an option to purchase the property at $494,400 at any time before March 15, 1938; at $489,600 before 1948; at $484,000 at any time thereafter, all accrued rentals to be paid to date of purchase. The lessee pays all taxes.

This list might be continued almost indefinitely but enough examples have been given to indicate how badly the assessment and equalization system of the State needs overhauling.

Putting the property tax upon a sound basis is particularly important in West Virginia because of the unusual dependence of this State upon this tax. Out of approximately $54,000,000[1] of local revenues for the fiscal year 1930, $51,000,000 came from "direct" taxes. Of the State Fund—General Revenue, which at present amounts to $8,575,000, $1,950,000 comes from the property tax. The only other large sources of revenue for this fund are the gross sales tax yielding $3,700,000, licenses on corporations yielding $1,100,000, the inheritance tax yielding $750,000, and the tax on insurance and certificates of authority yielding $825,000. The property tax is called upon also to produce $780,000 for the Virginia Debt service. The only other large taxes for state purposes are the indirect taxes upon gasoline yielding $5,400,000, and the automobile licenses yielding $4,600,000.

[1] 1930: County Courts $17,782,000, Boards of Education $29,261,000, Municipal Boards $7,201,000, grand total $54,244,000. This includes $2,164,000 of state aid to local schools included in total state revenues. Total local revenues from direct taxes $50,169,420, plus $1,000,000 state aid to local schools from direct tax. (See pages 3-7, and 37-45 of this Report.)

No other single tax approaches the ones just mentioned as producers of revenue. It is seen that the property tax is not only greater than any other, but also that it far exceeds in importance all others combined. A change of 10% in this tax amounts to about as much as the total receipts from the gasoline tax and to more than the whole of any other single tax. The gross sales tax, about which so much controversy has centered, though important, is relatively insignificant as compared with the property tax.

Two other reasons why it is so necessary to put taxes on a sound and equitable basis at this time are that (1) taxes have been rapidly increasing in amount during the past few decades, and (2) the present is an especially difficult time for the people of West Virginia to meet their obligations and maintain their customary standards of living. So long as taxes are light and times are prosperous, the people can stand a good deal of inequality even though it be very unjust. But when taxes become heavy and the business and employment situations are very depressed, then gross inequalities and injustices in taxation become very serious. It is, therefore, unusually important at the present time that inequalities should be removed.

It is stating the present situation in very mild terms to say that the main part of the tax system of West Virginia rests upon a thoroughly unsound and inequitable foundation. Much stronger language would be justified. Tests indicate that not over one-quarter or one-third of the assessments are reasonably good, the other three-quarters or two-thirds range from bad to worse, and from worse to indefensible. The bad results are due largely to the antiquated, inefficient methods of assessment and equalization used in this State.

All other tax reforms in this State are secondary as compared with putting the property tax on a sound basis. About a quarter of a century ago West Virginia was in a similar bad situation. At that time it faced the issue and met it squarely. Unfortunately, it did not make ample provision for maintaining the ground which it then gained. It should now not only establish a sound foundation but also take steps to keep the foundation in good condition. The experiences of other states indicate how this may be done. With the reasonable cooperation of all interests in the State, West Virginia can repeat its former achievement. It can do even more. It can lay a broader and firmer base; it can provide the means to keep this foundation intact, and upon it, the State can build a larger,

stronger and much more secure superstructure. No controversies about taxes of secondary importance should be permitted to distract attention from this most important of all reforms.

Administrative remedies for the property tax are discussed in the next three chapters; those in Chapter VIII are most important.

Appendix to Chapter V

TABLE V—11: FARMS GROUPED ACCORDING TO SALE PRICE PER FARM

RELATION OF ASSESSED VALUATIONS TO SALE PRICES (1929)

Grouped According to Sale Prices	No. of Farms in Group	No. of Acres in Group	Sale Prices		Assessed Valuations	
			Average per Acre	Total for Group	Total for Group	% of Total Sale Prices
0–199	8	$183.5	$5.52	$1,102.50	$2,765.00	273.08
200–299	15	653.68	5.35	3,497.00	4,580.00	130.96
300–399	23	804.049	9.08	7,297.00	9,200.00	126.07
400–499	18	726.11	10.33	7,500.00	6,510.00	86.80
500–599	35	1,465.13	12.27	17,980.62	15,835.00	88.06
600–699	30	1,399.059	13.14	18,390.00	13,355.00	72.62
700–799	36	1,941.57	13.33	25,883.50	22,455.00	86.75
800–899	25	1,038.95	19.63	20,399.21	16,606.00	81.40
900–999	19	1,194.3	14.55	17,373.00	13,390.00	77.07
1,000–1,099	51	3,864.9	13.28	51,330.37	44,216.00	86.14
1,100–1,299	32	1,847.11	20.45	37,770.25	27,510.00	72.83
1,300–1,499	15	1,769.19	11.61	20,535.00	15,015.00	73.11
1,500–1,699	35	2,166.52	24.77	53,655.00	30,580.00	56.99
1,700–1,899	16	1,338.05	21.31	28,507.94	27,731.00	83.24
1,900–2,099	26	1,876.87	27.666	51,911.00	35,010.00	67.44
2,100–2,299	14	1,340.46	22.67	30,390.00	20,750.00	68.27
2,300–2,499	8	573.59	33.23	19,062.50	12,180.00	63.89
2,500–2,999	29	2,508.95	30.42	76,320.00	53,430.00	70.00
3,000–3,499	27	3,196.77	26.12	83,500.00	62,440.00	74.77
3,500–4,499	20	1,624.43	46.66	75,791.50	53,260.00	70.27
4,500–5,499	14	2,120.56	32.57	69,056.25	41,580.00	60.21
5,500–9,999	23	2,384.29	66.26	157,975.00	102,160.00	64.66
10,000 and up	13	2,386.56	79.13	267,989.00	169,525.00	63.25

TABLE V—12: LOTS, IMPROVED AND UNIMPROVED, ACCORDING TO SALE PRICES

RELATION OF ASSESSED VALUATIONS TO SALE PRICES (1929)

Grouped According to Sale Prices	Number of Lots in Group	Sale Prices	Assessed Valuations	
		Total for Group	Total for Group	% of Total Sale Prices
$ 0-199	27	$3,120.00	$3,195.00	102.40
200-299	21	4,710.00	4,360.00	92.56
300-399	18	5,779.00	3,620.00	62.64
400-499	15	6,405.00	4,605.00	71.89
500-599	38	19,718.95	14,754.00	74.82
600-699	19	11,675.00	6,815.00	58.37
700-799	16	11,474.20	8,140.00	70.94
800-899	21	17,150.00	11,765.00	68.60
900-999	14	12,926.00	13,220.00	102.27
1,000-1,099	32	32,078.00	35,045.00	109.24
1,100-1,199	9	10,077.00	8,900.00	88.31
1,200-1,299	19	23,050.00	17,395.00	75.46
1,300-1,499	13	17,700.00	15,500.00	87.57
1,500-1,699	32	48,760.00	37,120.00	76.12
1,700-1,999	14	24,851.64	19,740.00	79.43
2,000-2,499	39	85,918.00	65,185.00	75.86
2,500-2,999	22	58,926.90	34,345.00	58.28
3,000-3,499	31	96,042.00	61,785.00	64.33
3,500-3,999	19	68,900.00	45,065.00	65.40
4,000-4,999	21	89,291.69	47,995.00	53.75
5,000-5,999	15	79,304.27	41,485.00	52.31
6,000-9,999	15	108,460.00	58,050.00	53.52
10,000-up	15	385,900.00	209,020.00	54.16

TABLE V—13: TRACTS GROUPED ACCORDING TO SALE PRICES

RELATION OF ASSESSED VALUATIONS TO SALE PRICES (1929)

Grouped According to Sale Prices	Number of Tracts in Group	Sale Prices	Assessed Valuations	
		Total for Group	Total for Group	% of Total Sale Prices
$100-199	29	$3,627.00	$4,985.00	137.44
200-299	42	9,338.00	8,365.00	89.58
300-399	26	8,250.00	10,280.00	124.60
400-499	19	8,013.75	5,840.00	72.87
500-599	30	15,210.00	12,685.00	83.39
600-699	14	8,560.00	6,135.00	71.67
700-799	6	4,339.20	2,655.00	61.18
800-899	9	7,285.00	2,965.00	40.70
900-999	3	2,700.00	715.00	26.48
1,000-1,499	30	34,364.37	17,780.00	51.73
1,500-1,999	23	37,623.00	16,565.00	44.02
2,000-2,999	14	31,975.00	22,455.00	70.22
3,000-and up	19	92,050.00	52,675.00	57.22

Chapter VI

SEPARATION OF SOURCES OF STATE AND LOCAL REVENUE

SEPARATION DEFINED

BY SEPARATION of sources of state and local revenue is meant the assignment of certain sources of revenue to the state government, and of other sources to the local governments. Separation may be complete or partial. Separation is complete when one class of sources is drawn upon exclusively by the state, and another class of sources is drawn upon exclusively by the local tax units. Separation is partial when the state has one or more sources of revenue reserved exclusively for its use and enjoys other sources in common with the local units.

THREE HISTORICAL STAGES OF SEPARATION

Until the general property tax was developed in the United States to meet the increasing demand for revenue, taxes of various kinds were adopted by various state and local governments, the state governments choosing some sources and the local units choosing others. Thus apparently without any conscious intent a large measure of separation of state and local sources of taxation was adopted. Following this early period of unconscious separation came the stage when both local and state governments reaching out for additional sources of revenue to meet increasing needs proceeded to tax property in general. With both state and local governments making taxes on property in general, or the general property tax, their main, if not their sole source of revenue, separation of sources largely disappeared.

With the mounting expenditures of state and local governments following the Civil War new taxes were introduced to supplement the general property tax, and with the growing importance of the corporation, taxes of various sorts were imposed on this form of business organization. Some of these taxes, it was found, could be more satisfactorily administered by the state government than by the local governments, and it naturally followed that the state governments, which administered the new taxes, appropriated the revenue derived from them to their own uses, leaving the local

units in possession of most of the revenue from the general property tax. Thus during the last quarter of the nineteenth century increasing public needs, which in an earlier period had practically brought an end to separation, operated to develop separation anew.

The partial separation that came into use in the latter part of the last century was not adopted as a conscious program of tax reform vigorously supported and opposed by arguments and counter arguments, but was adopted merely as a convenient method of administration.

Separation As An Engine of Reform

But as the general property tax became more and more obnoxious because of glaring inequalities in assessment, with confiscatory rates applied in some cases, separation began to be advocated as an engine of reform which would abolish the worst evils of this tax.

Notable among the tax authorities who favored separation as a measures of reform were Seligman of New York and Plehn of California. They were influential in securing the adoption of more or less thoroughgoing separation in their respective states, as well as in other states. On the other hand, such outstanding tax experts as Bullock and T. S. Adams, while not opposed to a certain degree of separation, were vigorous in their comments on its shortcomings.

The ordinary method of separation has been to reserve for the state the taxes on public utility corporations, the inheritance tax, and in some cases the income tax, and possibly other taxes, leaving the local units in possession of the general property tax, levied primarily upon real estate and localized tangible personal property. The principal arguments advanced in favor of separation during the early years of the present century were as follows:[1]

(1) The removal of the state tax on general property would eliminate the incentive to undervaluation by local assessors, this undervaluation being a device used by the assessors to reduce the burden of the state tax on their respective tax districts. And even if separation did not bring undervaluation to an end, it would at least do away with the inequalities as between counties in payment of the state tax.

(2) Separation would be of advantage to the localities by giving them home rule, or local option, in taxation. Within their jurisdictions and for their own purposes the local governments could

[1] The arguments here given are substantially as enumerated by Dr. Mabel Newcomer in her monograph on *Separation of State and Local Revenues in the United States*. Changes have been made, however, in the order of presentation and in emphasis.

choose those taxes and methods of taxation best fitted to their peculiar conditions. Freed from the shackles of uniformity imposed from above the localities might devise new and better methods of taxation.

(3) Under separation each tax could be assigned to that government agency best fitted to administer it, as, for example, inheritance or income taxes to the state, and taxes on real estate to the cities and counties.

(4) The more efficient administration of the taxes assigned to the state, and the increase in revenue from this source, would tend to relieve the burden of taxation on real estate.

(5) Separation would permit the yield of taxes to be assigned to that authority, the patronage of whose people occasions the value taxed. This argument applies, for example, to the taxation of valuable corporation property located in a tax district whose needs are not in proportion to the value of the taxable property, as when a relatively undeveloped county includes within its borders long stretches of railroad tracks. Such property should be taxable for the benefit of the people of the state as a whole.

Having presented the main arguments in favor of separation we may examine them critically and point out their weaknesses, noting incidentally a few positive arguments against separation.

(1) The removal of the state tax on general property does not remove the incentive to undervaluation of real estate and personal property by local assessors, but at the most tends merely in some small measure to diminish the incentive. Undervaluation is the result primarily of causes other than the desire to reduce each tax district's share of the state tax. Each individual desires his assessment to be low relative to his neighbor's, and each tax district within a county desires a low valuation of property in that district relative to the valuation in other districts of the county. Since local taxes are greater than state taxes, most of the incentive to undervaluation still remains even if no state tax is levied on general property. Moreover, experience of various states has amply demonstrated that in actual practice separation does not put an end to undervaluation. As will be pointed out in Chapter VIII, state supervision of local assessment is much more effective in curing undervaluation than is separation.

Removal of the state tax on general property, regardless of its effect on local assessment, does abolish that particular type of in-

equality arising from variations in the ratio of assessed value to full value among the several counties of the state. But the very separation of sources whereby this particular inequality is removed gives rise to the possibility of inequality of another kind—the inequality between the rate levied on property taxed for state purposes and the rate levied on property taxed for local purposes only. As we shall note later this type of inequality became a troublesome problem under separation as applied in California.

(2) Separation makes home rule possible, but there may still be state regulation of local taxation even if separation is adopted. As for home rule, opponents of separation as a method of reform argue that it is undesirable because it tends to lead to chaotic conditions when the various localities of the state experiment with diverse systems of taxation. Diverse systems of taxation existing in the several states already give rise to perplexing problems of double taxation, tax evasion, and the like, and diverse systems in the various tax districts of the same state would only make the confusion worse confounded. Moreover, there is the danger of majorities putting oppressive burdens upon unfortunately placed minorities. Experience teaches that more centralization rather than less is desirable in matters of taxation. Therefore home rule can not be advanced as an entirely valid argument in favor of separation, although persons who desire home rule may desire to establish separation as a means of gaining their ends.

(3) The argument that separation permits each tax to be assigned to that government agency which is best fitted to administer it has considerable force but can easily be over emphasized. If the state government is to retain for itself all revenue derived from taxes which it can best administer, and the local units are likewise to retain for themselves all revenue derived from taxes which they can best administer, then we have complete separation of sources of taxation, both in respect to collection and to use, but the revenues of the state and local governments will not be in proportion to their relative needs. Rather they will be determined by their relative efficiency in tax administration. Complete separation of sources of taxation on this basis would produce a considerable degree of inflexibility in the tax system.

This difficulty is overcome in Massachusetts, New York, and some other states by the distribution among the localities of part of the taxes collected by the state. When part of the state collected funds are distributed among the localities, however, separation of

sources of taxation, so far as disposal of the proceeds of the taxes is concerned, is no longer complete, although complete separation may exist in respect to collection. In the case of certain taxes it may be most convenient for the government which collects the taxes to retain them exclusively for its own use, but to do this in all cases is not advisable. Either the state or the local units might, under these conditions, obtain relatively too much or too little revenue. In short, it would seem that separation of sources of taxation as to collection only should be on the basis of administrative efficiency, and presumably complete. After collection, however, that governmental agency, whether state or local, which has an excess of revenue relative to its needs should turn the excess over to the other which has a deficiency. It is difficult to fix the rates of all taxes equitably and achieve such a nice balance that both the state and local governments will have neither an excess nor a deficiency. The experience of California illustrates this difficulty as will be noted below.

(4) It is true that separation of sources of state and local taxation may reduce the tax burden on real estate, particularly if along with separation, new and additional taxes such as the income tax or corporation franchise tax are developed and assigned to the state. The locally taxed real estate may thus be relieved of the burden of the state rate on real estate. But under separation it may happen, as in California, that some real estate is removed from the jurisdiction of the local tax districts to be taxed by the state, and thus the relief accorded by the removal of the state rate may be offset by the narrowing of the local tax base.

Aside from this possibility is the possibility mentioned by opponents of separation that when the local tax districts are relieved of the state rate, they will tend to increase the local rate up to the point where it will equal or exceed the former local rate plus the state rate, the temporary relief of the tax burden encouraging extravagance. Moreover, it has been argued that under separation the people through the legislature will increase state expenditures with the comfortable reflection that the rich, or the corporations, paying the special state taxes, will bear the burden.

Whatever the worth of this argument, it may be noted that it is really an argument in favor of state administration of certain taxes other than real estate taxes. If the proceeds of such taxes should in part be distributed among the localities in respect to use—and

this is the opposite of separation—the tax burden on real estate might be reduced even more than by complete separation.

(5) The argument that separation would permit the yield of taxes to be assigned to that authority, the patronage of whose people occasions the value taxed, has some degree of validity in respect to conditions under which very valuable utility property happens to be located in a tax district with a small population having no direct important relation to the property and having no great need of revenue, such as a hydro-electric plant or a railroad in a sparsely populated district. There are, however, logical difficulties in applying this rule to public utility property in a large city.

Conclusion as to Separation

The foregoing brief survey and critical examination of the arguments in favor of separation of sources of state and local taxation indicate that separation effects an improvement in the tax system primarily only because it develops new taxes to supplement the unsatisfactory general property tax and places the administration of the new taxes in the hands of that governmental agency best fitted for the task, that is, in the hands of the state. The real reform consists in the centralization of the taxing power. The separation is incidental, and may actually be harmful, if made complete, by dividing the revenue raised between the state and the local units on the basis of administrative efficiency instead of fiscal requirements. In so far as separation in itself is regarded as a reform and causes the state to relax its supervision and control over local assessment of the property tax, local tax administration may tend to get worse rather than better. With or without separation, state supervision over local tax administration is necessary in the interest of fairness and efficiency.

Separation in California

Separation, partial or complete, has been adopted in many states, primarily as an incidental result of the desire to supplement the general property tax. Among the states having made use of separation are included Pennsylvania, New York, Connecticut, New Jersey, West Virginia, Massachusetts, North Carolina, Wisconsin, and California.

The experience of California with separation is of more than ordinary interest for several reasons. In the first place, separation

there was adopted without a preliminary development of special state taxes. Secondly, it was adopted as the "only available means for bringing about substantial improvement in the tax system," and it was adopted in extreme form. Finally, the system has not worked so well as was expected by the Tax Commission of 1906 which recommended it, and has been frankly condemned by the California Tax Commission appointed in 1927 to report upon revenue and taxation. The following discussion of results of separation in California is based mainly upon the report of the California Tax Commission, issued in 1929, and prepared with the aid of various experts on taxation and finance, including Haig and Newcomer.

Under the system of separation as adopted by California in 1910, state taxation of general property was abolished, and corporation taxes became the largest sources of state revenue. Since public utilities were to be taxed exclusively by the state, public utility property was withdrawn from the local tax base, with the result that local districts lost substantial amounts of revenue, twelve counties losing from 20% to 35% of their taxable property. For eight years the state reimbursed counties which lost revenue by this change, but the basis of the payments to the counties was a cause of dissatisfaction. After 1918 reimbursements ceased and this left with a grievance those localities which thought they had lost more revenue by losing taxable property than they saved by being relieved of state taxes. Incidentally we may remark here that the tax commission report of 1929 expresses the opinion that the withdrawal of operative public utility property from the local tax base was a mistake, and recommends that a large part of this property be returned to the counties.

The new taxes imposed by the state under the separation scheme were gross receipts taxes on public utilities, gross premium taxes on insurance companies, a tax on bank shares, and a tax on the franchises of all other corporations. The rates of these taxes were so adjusted that the average tax for each group was roughly equivalent to one per cent of the full value of the corporation property reserved for state taxation. One per cent was estimated to be the average local tax rate on the full value of the locally taxed property. This adjustment represented an attempt to equalize the rates of taxation on state taxed and locally taxed property. It would seem that justice in taxation requires that such an equalization be made, although this was vigorously denied in some quarters. At any rate

to achieve and maintain equality of tax burdens on the two classes of property was found to be a matter of extreme difficulty under the provisions of the law.

First of all it was necessary to find the true value of the corporation property and the true value of the property locally taxed. Secondly, it was necessary to fix the rates of the gross receipts taxes on the public utility corporations at such a level as would represent one per cent of the value of their property. The calculations made resulted in a rate, for instance, of 4% on the gross receipts of railroads, 3.5% on the gross receipts of telephone and telegraph companies, and 3% on the gross receipts of car companies.

When the local tax rates gradually and persistently rose year after year, it became necessary, in order to maintain equality, to raise the rates of the gross receipts taxes. But the gross receipts taxes could be changed only by a two-thirds vote of the legislature, so that each increase involved a political struggle. Five times since 1910 the legislature has voted in favor of rate changes, and most of the revisions have been upward.

Aside from the extreme difficulty of fixing a gross receipts tax at such a level as would represent equality with the ad valorem rate on locally taxed property, there was another very troublesome problem, that of the inflexibility of the state revenue. The state tax rates were determined, not by the amount of revenue required by the state, but by the tax rate on locally taxed property which would provide the counties and cities with the revenue that they required. The higher the local tax rates mounted the higher had to be the state rates in order to maintain equality. For example, by a complicated method of calculation it was found that the tax rate on common property had risen from 1.209% in 1916 to 1.632% in 1920, an increase of 34.98%. The gross receipts tax on railroads in 1917 had been 5.25%; consequently to equalize this tax with the local tax on property it was required to increase it by 34.98%, or to a rate of 7.00%, for 1921. Similarly, the tax rate on gas and electric companies was increased from 5.60% to 7.50%, and so with the other classes of utilities.

In respect to the effect on local assessment, it was found in California that the abolition of the state tax levy on general property did not bring the expected increase in the ratio of assessed to full value. General underassessment remains the rule, and the ratio of assessed to full value varies widely from county to county, and presumably, since this usually follows, from individual to individual. The average ratio of assessed to full value of real estate in 1928 is estimated at 41.63%, and the average ratio for the several counties varied from 25.75% to 53.79%. Local assessors pointed out to the tax commission that the underassessment was in part at least occasioned by the ever-present possibility of a re-imposition of the state tax; a sudden reduction in locally assessed values, following such a levy would be difficult to explain.

A minor objection to the California plan of separation has been a slight measure of discrimination in favor of communities having publicly owned utility plants, exempt from the state tax. Since the state tax on public utilities subject to rate regulation tends at least in part to be shifted to the consumer, it follows that the consumers of the services of privately owned utilities bear some part of the burden of the tax on their utilities while the customers of the publicly owned utilities are free from a corresponding tax. It is also charged that the state tax on the privately owned utilities and the exemption of publicly owned utilities from taxation represent discrimination in favor of government ownership. In view of the small number of publicly owned utilities the tax commission concludes that this matter is vastly overrated.

Conclusions and Recommendations of the Tax Commission

Summarily stated the conclusions of the California special tax commission in respect to the California system of separation are as follows:

The system adopted in 1910 was a great improvement over the old system it superseded, and has had the virtue of producing sufficient revenue to meet the needs of the state. But the system is fundamentally unsound in that the amount of revenue made available for the state government is determined primarily by the needs of the localities. It has at times produced sums seriously disproportionate to the state's need for revenue, and the state is helpless to adjust the evil by over-taxing or under-taxing the corporations. It has been difficult to make changes either in rates or in methods, and the system has caused serious political disputes. It has not achieved stability of rates, and it has not brought relief to real estate. It has not achieved a tolerable degree of equity in its apportionment of taxes among the different classes of taxpayers or among individuals, it has unfairly penalized certain counties where public utility property forms a large part of the tax base, and it has resulted in some

degree of discrimination against communities served by privately owned, rather than publicly owned utilities.[1]

We need not here concern ourselves with all the recommendations of the California Tax Commission, interesting as they are, but will note only those bearing more directly upon the subject of separation as a method of tax reform.[2] First of all the commission recommends that separation as a method of reform be abandoned as a failure. It favors a new system of taxes under the supervision of a permanent state tax commission of three members.

The new system of taxes should include:

(1) An objective property tax imposed where the property is located, to serve primarily as a source of local revenue. The real estate of the public utilities, although valued by the state, should be returned to the tax rolls of the localities to be taxed at the local rates. A state rate could be levied on property if required to meet state needs.

(2) A comprehensive business tax, measured by net income arising from business, to serve chiefly as a source of state revenue.

(3) A personal contribution from each person, apportioned according to ability to pay, the yield to be divided between the state and the localities.

It will be noted that this follows closely the "Model System of State and Local Taxation" recommended by the special committee of the National Tax Association.

The Trend of Separation in Other States

We may with advantage quote directly from the California Tax Commission report on the trend of separation:

> "No state has followed in California's footsteps in reserving the operative property of public utilities for state taxation. Two states have adopted separation of sources since 1910—but with important variations from the California pattern. North Carolina gave up the state general property tax in 1922, and Virginia in 1926. Neither of these states has withdrawn the public utility real estate from local taxation, and neither is depending on corporation taxes for so large a percentage of state tax revenue as California. California is still obtaining nearly two-thirds of state tax revenue from such taxes. North Carolina obtained a little more than one-fourth of state taxes from corporation taxes in 1926, and Virginia obtained about one-third of her state taxes from corporations in 1927. Both North Carolina and Virginia have personal income taxes, and Virginia has a low-rate tax on intangibles in addition.
>
> "It is apparent that there is little tendency to adopt complete separation of state and local revenues. Counterbalancing the adoption of separation in North Carolina and Virginia are the cases in which the plan has been abandoned in important states. New York has returned to a state direct tax beginning in 1911. Delaware, in 1921, levied a state general property tax for the first time since 1877. This tax, which has been continued, is for schools. New Jersey has added to the state school levy existing in 1910, levies for roads, state institutions, bridges and tunnels, and soldier bonuses.
>
> "State governments are, however, less dependent than formerly on the general property tax. This tax provided nearly 50 per cent of all state tax revenue in 1910, and less than 30 per cent of such revenue in 1926. The states are developing new and varied sources of revenue; and some of these new sources are replacing the ad valorem tax on certain classes of personalty, especially intangibles. The income tax, for example, has replaced the ad valorem tax on intangibles in several instances. Thus a tendency toward a new form of separation is apparent. The local districts are being deprived of the ad valorem tax on personalty, especially intangibles; and the state is reaching the personalty through income and special property taxes. Complete separation on this basis has not been achieved in any state, although separation in Virginia approaches it."[1]

[1] California Tax Commission, *Final Report*, 1929, p. 73.
[2] The recommendations of the commission are given in the introduction to its final report, pp. xxi-xxiv. An extended criticism of the system of separation is given on pp. 42-73 of its final report.

In respect to separation in New York, referred to in the foregoing quotation, Seligman writes that the creation of an additional and independent source of state revenue over and above that from the general property tax began in New York more than a quarter of a century before the year 1906, when separation became practically complete, in the sense that the state obtained its entire revenue from sources other than the general property tax. Separation in New York, however, was not enforced by any specific law, but was simply the result of an annual legislative decision. Neither was separation there ever technically complete, but for the period 1905-1911 it was practically complete.[2]

The re-imposition of a state direct tax on property in New York was the result of increasing state need for revenue, which could be most easily met by a direct levy on general property. The state tax on general property in 1911 was something over $6,000,000. By

[1] California Tax Commission, *Final Report*, 1929, pp. 43, 44.
[2] Seligman, E. R. A., *Essays in Taxation*, 1925, p. 370.

1928 this tax had grown to $21,000,000. While this is a large sum, it is a very small percentage of the huge sum, $717,000,000, levied on general property in the state. In respect to the general property tax, separation is still almost complete. But certain other sources of taxation are shared in common in larger measure by the state and local governments. These include the franchise tax on business corporations, the mortgage tax, the personal income tax, and the motor vehicle taxes. On the other hand, various taxes are reserved exclusively for state purposes, including the stock transfer tax, the inheritance tax and various corporation franchise taxes.

Seligman attributes the return of Connecticut to a state levy on general property to the disinclination of important interests affected to accede to any increase in the special state taxes. In this connection it is interesting to observe that it was the growth of public expenditures that caused the general property tax to replace miscellaneous, more or less separate, sources of state and local revenue; that later caused new and additional taxes to be developed as a source of state revenue, leading again to separation of sources of state and local revenue; and finally that caused the departure from a high degree of separation in New York and Connecticut in the form of a return to a state levy on general property.

As noted above, West Virginia already has almost complete separation, only a small fraction of the general property taxes going to the State. The main justification for entire separation is to bring more emphatically to the attention of the people the fact that the taxes of which so many complain are due to local rather than to state expenditures. In other words, the localities can regulate their taxes to suit themselves by regulating their expenditures. They themselves, and not the state government or the people of other sections, are responsible for their heavy taxes. This is true now, though many taxpayers do not seem to know it. As a matter of fact, the majority of counties now receive in the form of State aid more than they contribute to the support of State government.

The disadvantages of separation have been pointed out above. It is particularly important that separation shall not result in inflexible revenues and in less thorough state supervision of local assessments. It has too often had such unfortunate tendencies. Good administration is much more important than separation. In fact, it removes most of the reasons for separation. This will be discussed more fully in Chapter VIII.

Chapter VII

CLASSIFICATION OF PROPERTY FOR TAXATION

State Constitutions and Classification

IN HIS standard work, *The Classified Property Tax in the United States*,[1] Leland defines the classified property tax as "the ad valorem taxation of property by the segregation into groups or types and the application to these various classes of different effective rates."

Such classification of property for purposes of taxation is permitted by the constitutions of 31 states and not permitted by the constitutions of 17. West Virginia is included in the smaller group. Whether or not a state constitution permits classification is not always easily determined, the power to classify in some cases being neither expressly affirmed nor clearly denied. But in a number of state constitutions the right is clearly implied in a clause providing that taxes shall be uniform upon the same class of subjects. Generally the courts interpret such a clause as giving the power to classify.

Types of Classification

Two main types of classified property tax systems are in use, namely, comprehensive systems, applicable to most or all of the taxable property in the state, and partial systems, applicable to certain designated classes of property. The usual purpose achieved by the partial classification systems has been to segregate intangible personal property from the operation of the general property tax and to apply to it a low rate tax. The comprehensive systems also have aimed at this result, but they have striven for further benefits to be derived from general classification.

In the main, classification has been a recent development, although some states have had the power to classify for a long period of years, for example, Vermont since 1793 through a clause in the constitution adopted at that time. A number of states have gained the authority to classify only in recent years either by adoption of a new constitution or by a constitutional amendment. Most of the states that have gained this right during the past thirty years

[1] In the preparation of this chapter much aid was derived from this work.

have hastened to apply it in some form. A few others which have long had the authority to classify have only in recent years made use of it. Of all the 31 states having the power to classify, only five have not applied it. These five are Arizona, Colorado, Florida, Idaho, and New Mexico, all non-industrial states. Of the 26 states which have adopted classification, 22 have adopted partial and four comprehensive classification. The four are Minnesota, Montana, Kentucky, and Virginia.

If it has been decided in a given state to tax different classes of property at different effective rates, the purpose can be accomplished in various ways. Of these various possible ways we will note only two, each of which is in use in two of the states which have adopted comprehensive systems:

(1) All classes of property may be assessed at full value, or at a uniform percentage of full value, and different tax rates applied to the different classes. This system is used in Kentucky and Virginia.

(2) Different classes of property may be assessed at different percentages of full value, and a uniform tax rate applied to all classes. This system is used mainly in Minnesota and Montana.

Whether either of these two systems is used, or a combination of the two, or some other system, the chief point to bear in mind is that the ultimate aim is to make the tax represent a smaller fraction of the true value of some classes of property than of others.

Taxation of Intangibles Under the General Property Tax

In fixing the tax rate on intangibles we might act under any one of four distinct assumptions. We might assume that intangibles should not be taxed at all; that they should be taxed at a lower effective rate than other classes of property; that they should be taxed at a higher rate; or that they should be taxed at the same rate.

Under the operation of the general property tax in West Virginia we act, in effect, promiscuously under the first three of these assumptions, but rarely, if at all, under the fourth. Many persons by clever or clumsy, honest or dishonest, devices manage to evade assessment of their intangibles altogether; for these our system grants exemption. Certain quasi-conscientious taxpayers list with the assessors some small fraction of their intangibles while evading taxation on the remainder; for these our system provides a lower

average effective rate on their intangibles than the average effective rate on other classes of property. But the effective rate on intangibles owned by persons who will not or can not evade assessment is higher than the effective rates on other classes of property for the reason that when actually assessed intangibles tend to be assessed at full value in contrast with the general under-valuation of tangible property. Among the persons whose intangibles are taxed at a higher effective rate than other property are the extraordinarily conscientious taxpayers, and the widows and orphans and others of whose intangible property legal records are available for the inspection of the assessors. As for an effective tax rate on any intangibles equal to the average effective rate on other property, it is a fair presumption that none such actually exists. It would be a rare coincidence if the proportion of intangibles, of any particular taxpayer or of all taxpayers in the aggregate, which evaded taxation, would be just sufficient to offset the high effective rate applied to the portion taxed, so that the average effective rate on the intangibles would be equal, or even approximately equal, to the average effective rate on other classes of property.

Conceivably, reasons of some sort might be advanced to justify the taxation of intangibles under any one of the four assumptions considered, provided only that everyone's intangibles should be taxed, or be free from taxation, alike. But surely no one would undertake to defend the absurd system of taxing intangibles which classifies them on the basis of ownership, and varies the rates with the honesty, craftiness, or helplessness of the owners.

Classes of Intangibles

Since the main end in view in the classification schemes of most of the states adopting the classified property tax has been the low rate taxation of intangibles, it will be pertinent to inquire whether there is any real justification for such low rate taxation. Why, if at all, should we act under the assumption that owners of intangibles should be favored with a tax rate lower than that paid by owners of other kinds of property? In undertaking to answer this question it will be well to begin with an examination of the nature of intangible property.

Leland distinguishes four classes of intangibles, but essentially his analysis brings out only two logically distinct classes. In the

first class he places real estate mortgages, and "usually industrial bonds and preferred stock."[1] This class he calls representative property. The second class he calls non-representative property. Here he places good will, franchises, royalties, patent rights, and government bonds "in large part." These intangibles are "property in their own right." A third class of intangibles consists of those which are intermediate between the first and second class in nature, and here he places common stocks of corporations, as the most conspicuous example of the class. His fourth class is based upon or concerned with the place of ownership, and is therefore not logically distinct from the other classes named.

It will make the nature of Leland's classification more clear to point out that essentially it is based upon this question: If we tax a given group of intangibles as property, are we in effect taxing a second time tangible property already taxed? If the answer is yes, we place that group of intangibles in the first class. If the answer is no, we place it in the second class. If it is neither clearly yes nor no, we place it in the third, or intermediate class.

Taxation of Mortgages

The principle can best be explained by means of simple examples. Suppose that each of two men has saved $5,000 and buys a lot and builds a house with his savings. Here is $10,000 worth of taxable real estate. Now suppose that instead of each acquiring a $5,000 house, one lends his $5,000 to the other who acquires a $10,000 house on which he gives a $5,000 mortgage to the first to secure the loan. We have now $10,000 worth of taxable real estate, as before, but in addition, a $5,000 mortgage. If we tax both the house and the mortgage we tax the two men together on $15,000 worth of property, although obviously they have in the aggregate no more wealth than in the first case. Each man has a $5,000 interest in the property—the one a $5,000 lien, and the other a $5,000 equity. Logically each should be taxed on $5,000. If we tax the owner of the house on both the equity and the lien, and the mortgagee again on the lien, we have taxed the same property twice.

It would seem that the fair thing to do would be to tax the owner of the house on his house, making a deduction for the amount of the mortgage, and then to tax the mortgage as an interest in the house. This plan has been used in several states,

[1] Leland, S. E., *The Classified Property Tax*, 1928, p. 119.

but gives rise to some troublesome administrative problems and raises some questions concerning the incidence of the tax.

Where undervaluation is the rule, a $10,000 house would not be assessed at $10,000, but perhaps at only $6,000. If then a $5,000 deduction were permitted for the mortgage, the taxable value remaining would be only $1,000. The owner then would pay only one-fifth as much tax on his $5,000 equity as the mortgagee paid on his $5,000 lien, assuming that the mortgage was assessed at full value as required by law. If the holders of mortgages could not manage to evade the tax, and actually paid a tax of let us say 2.5% on the full value, they would demand high rates of interest on their loans, roughly a rate that would equal the return available on equally safe tax free investments plus the rate of the tax, plus perhaps an additional rate to cover the relatively undesirable nature of a mortgage loan as compared with investments in readily marketable securities. If investors could obtain a yield of 4% on tax free government bonds, they would probably not consider lending on mortgages subject to a 2.5% tax for less than 7%. In short, when there exists the possibility of investing in tax free securities, a heavy tax on mortgages which can not be evaded tends to be shifted to the borrower in the form of a higher rate than he would otherwise have to pay. With mortgages freed from taxation, instead of paying a 2.5% tax, the mortgage rate might be 5% instead of 7%. There is general agreement that such shifting occurs, but no general agreement as to the actual proportion of the tax on mortgages that is shifted to the borrower in the form of a higher interest rate.

When the mortgage tax is shifted practically in full to the borrower, as it tends to be when it is heavy and can not be evaded, the borrower is left in about the same position as he would be in if he were taxed on the value of his real estate without deduction for the mortgage, while the mortgage itself was made exempt from taxation. We may conclude, then, that under these conditions it would not make a great deal of difference to the borrower whether he were taxed on his real estate without deduction for the mortgage, while the mortgage was exempt, or whether he were allowed a deduction for his mortgage while the mortgage itself was taxed at the same rate as his real estate. We must assume, however, that all property in this case is assessed at practically full value. Until we have assessment at practically full value, deduction for mortgages becomes impracticable, unless mortgages can be undervalued in proportion to the undervaluation of tangible property.

In West Virginia we choose neither of the logical alternatives of either making deduction for mortgages or of exempting them from taxation. We tax the mortgaged real estate without deduction, and we tax the mortgages too—when we can. Since the provisions of our law do not permit us to reach the non-resident holders of West Virginia mortgages, our system tends to drive the mortgage loan business into the hands of non-residents or into the hands of residents resorting to various expedients to evade the tax. As a result few mortgages are actually taxed, and the risk of being compelled to pay the tax is not very great. The nominal tax does not therefore tend to be shifted in full to borrowers. Since, however, there are many residents who would lend on mortgages if they were tax free, but who do not care to resort to the expedients of evasion, either because they have too much conscience or too little courage, the funds offered to borrowers within the State are considerably restricted, and large sums must be brought in from other states. Since non-resident lenders must be paid a premium for making loans far from home, it follows that the mortgage tax we impose, but largely fail to collect, imposes some considerable burden upon West Virginia borrowers. The fact that West Virginians may freely invest in safe preferred stocks and sound common stocks of corporations, exempt from taxation, makes them all the less willing to lend on real estate mortgages subject to a tax running as high as 3% or more.

Several investigations of actual experiences throw some light on the principles discussed above. From 1879 to 1907 California taxed mortgages as an interest in land and provided that if the mortgagees attempted to shift the tax, the instrument would be void. All mortgages recorded would be discovered and taxed at the regular rates; they could not escape as under the usual form of administration. After a careful investigation of results, Plehn stated:[1]

> "The average difference for nineteen years between the rate of interest on mortgages and the rate on other loans equally secure, but untaxed, was 2.73%. This, then, is the amount by which the tax raises the rate of interest."

Leland adds, basing his conclusions on studies in various states by Plehn, Seligman, Purdy, Pleydell, McCrea, Robinson, Adams, and others:

[1] Plehn, C. C., "Taxation of Mortgages in California," *Yale Review*, Vol. VIII, pp. 57-58. See Leland, S. E., *Classified Property Tax*, 1928, pp. 188-202.

> "In San Francisco the mortgage rate averaged 2.08% in excess of the market rate of interest, while the tax rate for 19 years averaged $1.699 per $100. Since the tax raised the rate by about one-third of one per cent above the tax rate, this is the cost of shifting which is added. . . ."
>
> "Inductive verification of the theory of incidence was also attempted in New York in 1906. Interest rates were found to be higher in New York where mortgages were taxed as other property than in Pennsylvania where they were subject to a four-mill rate, or in Massachusetts where they enjoyed tax exemption. . . . It is generally believed, however, that under the general property tax in New York, the interest rate was increased only about one-half of one per cent which was taken to be the risk premium for getting caught. Seligman, therefore, concluded that if an annual tax of one-half of one per cent was placed upon mortgages, this premium would disappear, its place being taken by the tax. . . . "

A 1903 investigation conducted by T. S. Adams for the Wisconsin Tax Commission indicates that a small change in tax rates upon mortgages may not affect interest rates appreciably.

Inasmuch as most intangibles are not actually listed for taxes in West Virginia, the effective tax rate is much less than the nominal rate, so that the removal of the tax entirely could not be expected to reduce the rate of interest by much more than the effective rate, that is, by the premium for the risk of getting caught. A legal low rate tax upon intangibles, effectively administered, might cause no higher interest rates, yield just as much revenue, and distribute such taxes much more equitably than does the existing unenforcible law.

On the basis of the foregoing discussion, we may draw the following conclusions with respect to taxation of mortgages:

(1) It is obviously illogical and unjust to tax real estate on its full value without deductions for mortgages, and then to tax the mortgages also at the regular general property tax rate. When we do this we tax a man with a mortgage on his house more heavily than one without a mortgage. This is true because at least part of the tax on the mortgage is shifted to the borrower.

(2) It would seem both logical and just to tax mortgages at the regular general property tax rate, provided that the owners of the mortgaged property were allowed to deduct the amount of the mortgages, and provided further that all property were assessed at approximately its true value. In view, however, of the difficulty of obtaining assessment of real estate at full value, and of other administrative problems, and in view of the further

fact that the borrower tends to enjoy a substantially lower rate of interest on mortgage loans if mortgages are exempt from taxation than when they are taxed, it would seem more expedient, and not particularly unjust, to tax the owners of mortgaged real estate without deduction for mortgages, and to exempt the mortgages from taxation.

(3) Since, however, total exemption of mortgages from taxation will seem to many persons as representing unjustifiable discrimination in favor of the owners of mortgages, and since obviously ownership of mortgages gives tax paying ability, a low rate tax on mortgages may be expedient, although not very logical. Some justification of such a tax may be found in the fact that a three mill tax on a 6% mortgage is equivalent to a 5% tax on the income derived from it. A low rate tax on mortgages and other intangibles might thus be used as a substitute for an income tax on the income from such intangibles, although less desirable than the income tax itself. If there are some who refuse to accept the foregoing conclusions and argue still for taxation of mortgages at a high rate, it may be pointed out that regardless of the justice or injustice of high rate taxes on intangibles, high rates lead to wholesale evasion, so that high rates may not yield more revenue than low rates and may yield less, as experience in several states has shown. Thus a high rate tax on intangibles can do little to diminish the tax burden of other classes of property.

Perhaps it should be added here that while the incentive for evasion of taxation of intangibles is less under a low rate tax than under a high rate tax, even a low rate tax on intangibles will be evaded in large measure under a poorly administered system of taxation. It may be noted, also, that even a low rate tax on mortgages may be shifted to the borrower in whole or in part, but the smaller the tax in proportion to the current rate of interest, the less likely it is to be shifted.

Taxation of Corporation Stocks and Bonds

Suppose that five men own a manufacturing enterprise organized in the form of a partnership and representing an actual investment of $100,000 in tangible property—land, buildings, equipment, inventory, etc. Here is $100,000 worth of taxable property. The business is then incorporated and the newly formed corporation issues $100,000 in common stock to the former partners in exchange for their tangible property. The corporation now

has $100,000 worth of tangible property, and the stockholders have $100,000 worth of stock—intangible property. Obviously, if the corporation were taxed on its property and the stockholders on their stock, then the stockholders would be taxed twice on their property—once through the tax on the corporation, and once through the tax on their stock. West Virginia laws recognize the logic of this situation and exempt from taxation the stocks of corporations whose property is taxed. On such stock we levy neither a high rate tax nor a low rate tax.

Suppose, however, that the corporation, instead of issuing $100,000 in common stock, issues $50,000 in stock and $50,000 in first mortgage bonds. We have no more real property now than before, but we have $150,000 in taxable property if we tax both the tangible property of the corporation and the $50,000 in mortgage bonds. To levy such a tax on the bonds is, of course, illogical and unjust. The case is just the same as that of the ordinary real estate mortgage, and need therefore not be discussed in detail. The stock and the bonds in this case are examples of what Leland calls representative property. If we tax them we are in effect taxing a second time the tangible property already taxed, just as when we tax real estate mortgages. A corporation in West Virginia may evade this tax burden resulting from the issue of bonds, by the issue of preferred stock with various protective features giving it the characteristics of a bond without the name. Thus it might sell the presumably inferior form of investment security—preferred stock—at a lower yield basis than it could sell its bonds. In the case of the corporation bond, as in the case of the real estate mortgage, a heavy tax tends to be shifted to the borrower.

Let us turn now to a consideration of an example of that class of intangibles which Leland calls non-representative. Suppose that a corporation has an actual investment of $100,000 in the form of tangible property, such as the local assessor might find, and that it has outstanding just $100,000 in par value of capital stock. But suppose it has such great earning capacity, and pays such high dividends that its stock has a market value twice as great as its par value, and twice as great, also, as the value of its tangible property, that is, $200,000. The stock has a value in excess of the taxable tangible property of $100,000, and this excess value, often referred to as "corporate excess," remains untaxed by the general property tax levied only on the tangible property of the corporation. To tax the stock at its full market value

would represent in part double taxation, but to tax its value in excess of the tangible property already taxed is not double taxation.

If the corporation has bonds or preferred stock, or both, outstanding to the full amount of the tangible property, it may be assumed that the full market value of the common stock is non-representative intangible property, and therefore logically subject to taxation. The bonds and the preferred stock in this case represent the tangible property. The general rule may be said to be that whatever part of the total market value of all the outstanding securities of a corporation is in excess of the tangible property of the corporation is intangible property which may properly be taxed. Ordinarily the bonds and preferred stocks of business corporations represent tangible property, while all or part of the value of the common stock is corporate excess. But there are cases in which the market value of the bonds alone might exceed the value of the tangible property, and other cases in which the combined market value of bonds and stocks might be less than the value of the tangible property assessed on the basis of cost of construction less depreciation. Therefore it is not safe to act on the principle that bonds are representative property which should not be taxed, and stocks are non-representative property which should be taxed.

The most logical thing to do would seem to be to exempt from taxation both the stocks and the bonds of the corporation, and to tax as property both the tangible and the intangible values to the corporation itself. Obviously it is just as easy to find the full value of all the corporation property as it is to find this full value, and by deducting from it the value of tangible property, find the intangible value, or the corporate excess. Even better than this method is probably the method of taxing as property only the tangible property, and reaching the intangible values by a tax on net income, on which the intangible values are based.

A tax on the tangible property plus a tax on the corporate excess or plus a net income tax on corporations justifies exemption of both stocks and bonds, but a low rate property tax on bonds and possibly on stocks may be expedient as a means of satisfying the desire for justice of those who do not accept the reasoning which justifies exemption. In this case, as in the case of real estate mortgages, a low rate tax is likely to yield a larger revenue than a high rate tax, particularly if the low rate tax is efficiently administered. The high rate tax defeats its purpose by driving the

stocks and bonds into hiding or out of the jurisdiction of the high-rate taxing state. A low rate tax may be further justified on the ground that, when taxed, stocks and bonds are normally assessed at a higher percentage of true value than is tangible property. However strong the tendency toward undervaluation in a tax district may be in respect to real estate and tangible personalty, stocks and bonds, having a quotable market value easily ascertained, are likely to be assessed at their full value.

Some justification for a tax on stocks and bonds is found when they are owned by residents of one state while the property they represent is located in other states. In this case the state in which the owner of the intangibles lives receives no revenue from the tangible property. An income tax would, of course, achieve the same purpose in this case as a low rate tax on intangibles, and in the model plan of state and local taxation which a committee of the National Tax Association reported to the conference of that association in 1919, this was the solution suggested for that particular problem. That committee recommended that property should be taxed in the state in which located, and personal incomes by the state in which the person receiving the income resides. Tangible property only should be taxed, the committee held; intangible property should be exempt.[1]

The intangible property represented by the good will of individual proprietorships and partnerships, that is, the true value of the business in excess of the value of the tangible property, is not, of course, reached by a tax on intangible personal property, and the same is true of various sorts of intangibles. Presumably assessors might assess the property of unincorporated enterprises in excess of the value of their tangible property, but they are not likely to do so. Intangibles of the sort not reached by a property tax may best be reached by a tax on net incomes.

Summary of Discussion

To sum up this whole discussion of the taxation of intangibles, we may state our conclusions briefly as follows:

(1) The best thing to do it would seem would be to exempt all intangibles from taxation. This would be logical, just, and in the interest of ease in tax administration.

[1] National Tax Association, *Proceedings*, 1919, pp. 426-70.

(2) In the absence, however, of a net income tax, a low rate tax on real estate mortgages and corporation bonds, and other intangibles of this type might be expedient and not greatly unjust, while the intangible values represented by corporation stocks might be reached by a special tax on the "corporate excess" levied directly upon the corporations themselves, in addition to the tax on their tangible property.

The Classified Property Tax of Minnesota

From our discussion of the theory of taxation of intangibles we may turn to a consideration of the practical application of classification of property for the purpose of taxation both in those states which have adopted comprehensive systems of classification and in certain others which have adopted only partial classification with particular reference to the segregation of intangibles from the general property tax.

Under the Minnesota classified property tax, which represents a comprehensive system of classification, property is classified and taxed as follows:

Class 1 consists of iron ore, mined or unmined, taxable at the regular state and local rates, on 50% of its full value.

Class 2 consists of household furnishings, wearing apparel, jewelry, etc., taxable at the regular state and local rates, on 25% of full value.

Class 3 includes rural real estate, or unplatted land, live stock, tools, implements and machinery, goods and wares of merchants and manufacturers, and certain other specified items of personal property, taxable at the regular state and local rates, on 33 1/3% of full value.

Class 3a includes farm tools and machinery; grain and grass seed and other agricultural products in the hands of the producers and not held for sale; threshing machines, tractors, engines, etc., used by the owner in agricultural pursuits, taxable at the regular state and local rates, on 10% of full value.

Class 4 includes urban real property, and all personal property not embraced in any of the other classes, taxable at the regular state and local rates, on 40% of full value.

Telegraph companies are likewise taxable on 40% of full value, but at not to exceed the total average rates in the state instead of at the regular state and local rates.

Railroads, sleeping car, telephone, express, and freight line companies are taxable according to gross earnings, and fall outside of the classified property tax system.

In addition to the classes of property just enumerated there are included in the tax system of Minnesota the following classes of property taxed at special ad valorem rates, and assessed at full value:

Money and credits, taxable at 3 mills.

Shares of joint-stock land banks, taxable at 5 mills.

Mortgages taxable by a registry tax of 1.5 mills on maturities up to five years, 60 days, and 2.5 mills on maturities over five years, 60 days, in lieu of all other taxes.

Motor vehicles, taxable at 2.4% of list price, in lieu of all other taxes. This base is reduced 10% each year for seven years.

In addition to these ad valorem special rate taxes there are bushel taxes on grain received by elevators, of 0.5 mills on wheat and flax, and 0.25 mills on other grain; a vessel tonnage tax of 5 cents a ton; an occupation tax on mining iron ore of 6% of "net value" of ore mined annually, and a 6% tax on iron ore royalties.

The Tax on Iron Ore[1]

The more significant features of these various taxes may now be noted, a few of them in some detail.

First of all it may be observed that iron ore, mined and unmined, is assessed and taxed on 50% of its full value, this rate being one-fourth higher than the rate on urban real estate, and one-half higher than the rate on rural real estate. In addition, the mining industry is burdened with the occupation tax of 6% on the "net value" of the ore mined during the year, and a tax of 6% on royalties received during the year. According to calculations made by the Minnesota Tax Commission the total taxes paid by the mining industry during the five year period, 1923-1927 inclusive, were $112,379,950, of which sum $91,572,515 represented the ad valorem taxes, $16,211,230 occupation taxes, and $4,596,205 royalty taxes. The total taxes amounted to an average of 62¼c on each ton of iron ore mined, and exceeded by 55% the total amount spent for labor in carrying on the industry. The taxes also amounted to a little more than 70% of all production costs, not including the taxes. Obviously this is a high rate of taxation relative to the production costs of the industry, as well as relative

[1] See also pages 211-13 of this *Report*.

to the ad valorem rates of taxation assessed against other classes of property.

The abnormally high rate of taxation of the mining industry is defended on the double ground that the iron ore is a natural heritage of the state and that it is exhausted in the process of operation. Obviously, the first of these two reasons for taxing iron ore at a higher rate than rural or urban land may be dismissed at once. All lands, or natural resources, represent a natural heritage, and on this basis the single taxers have presented some formidable arguments favoring special taxation of land, or the income from land, in general.

Incidentally it may be remarked here, without considering the matter in detail, that a heavy tax on land, or income from land, is not necessarily burdensome to the owner, provided it has been imposed before he has invested in the land. Such land taxes are capitalized and result in a lower selling price for the land, so that anyone buying such land is compensated for the payment of an annual tax by being able to buy the land at a lower price—his net yield per dollar of investment tending not to be affected. This, however, does not apply to the owner who has paid for the land before the tax has been imposed or contemplated, and who is subjected to an increasingly heavy burden of taxation—a burden increasing more rapidly than the income from his land increases. A rapidly increasing land tax may actually result in destruction of the owner's value in the land, and represent actual confiscation.

But to return to the subject of the relatively high tax on iron ore lands, there is no sound reason for assuming that iron ore lands represent a natural heritage in one-fourth greater degree than urban land, or in one-half greater degree than rural lands. The natural heritage argument does not justify such discrimination.

The second argument, the one based on the exhaustibility of the iron ore, deserves more consideration, and viewed from this angle the super taxes on the Minnesota iron industry represent an example of the so-called severance taxes which have been applied in a number of states.

Severance Taxes Briefly Considered

Severance taxes levied by various states include taxes on the production of oil, gas, lead, zinc, copper, gold, silver, sulphur, coal, lignite, salt, marble, stone, sand, and gravel, one or more of these

products being taxed by Oklahoma, Texas, Louisiana, Arkansas, Alabama, and some other states.

If a state is rich in exhaustible mineral resources and poor in other taxable resources, and if exhaustion of the mines or wells threatens to leave the state in the near future with a considerable reduction in taxable property or income, special taxation in the form of severance taxes or otherwise may be considered. This is mainly a question of proper public policy with reference to the ownership and utilization of certain classes of private property. It should be recognized that specially heavy taxation of certain classes is a limitation upon private ownership, in fact, a diversion to public use. We have to face this dilemma: to make no change perpetuates past errors; to make substantial changes may confiscate private property (or grant unearned bonuses, if taxes are lightened). It is incumbent upon the state to weigh all considerations and choose the solution that will best promote the public welfare.

Different methods of taxing different classes of property—for example, taxing gas or oil wells upon yields, while taxing other property according to values, because values of gas and oil wells are extremely difficult to determine—does not necessarily mean discriminatory or confiscatory taxation, if the tax rates are fixed at *equivalent* rates, and remain reasonably stable. The meeting of these conditions is, however, very difficult to accomplish.

In any case, certain principles of the incidence of taxation should be borne in mind when such taxes are considered. Space forbids a detailed discussion of incidence here, but a few points may be noted.

If the industry or product taxed is in the hands of an unregulated monopoly, it may be assumed that the monopolist is charging the rate or price which will yield the greatest net gain. If a moderate tax is then levied on the net income of the monopolist, he will probably bear the tax. If, however, the tax is levied on the unit of output, it becomes a cost which varies with volume of output, and may so affect the industry that it will pay the monopolist to produce less and charge a higher price, the tax then being shifted at least in part to the consumer. Of more importance, in West Virginia, perhaps, is the incidence of a tax on a regulated monopoly such as a gas company. Here the rate or price is limited by law, at least theoretically, so that the monopoly earns only a fair return on its investment. Since, however, the tax becomes a

cost, the gas company would ask to have its rates increased sufficiently to earn a fair return after the tax has been imposed. If it had earned no more than a fair return before, the rates would need to be raised just enough to cover the additional tax, and the consumer would thus pay the tax. These adjustments, however, are not usually exact or prompt.

This shifting would not, of course, apply to gas produced by concerns other than public utility companies. It is probable that a moderate tax per unit of output on oil and gas produced by unregulated companies would not substantially affect drilling of new wells, since here there is always the chance of striking a gusher yielding such rich returns that the tax might be disregarded, although it would probably cause some restriction of output from wells already flowing. Unless the tax operated to reduce output, it would not tend to raise prices, and would be borne by the producer.

We have quite a different situation when we come to consider a tax on the production of coal. In the main the coal produced in West Virginia is sold in a highly competitive market both within and without the State. A moderate tax on production of coal in West Virginia might reduce somewhat the production of coal in the State but would not materially affect total production of coal in the competitive market area, and would thus have no appreciable effect on prices. The tax would have to be borne by the coal operators unless they could shift it to labor in the form of lower wages. Presumably most of the tax would be borne by the coal operators. If the tax were on unit of output it would fall as heavily on the high cost producers as on the low cost producers, and would hasten the failure of the marginal producers. It not only would tend to force out of business the poorer mines now operating but would discourage the opening of new mines of the same sort, and would thus tend to throw more business to the better situated mines. This would probably be a desirable outcome socially, however undesirable it might be from the standpoint of the marginal producers.

A tax on the unit of output would, however, draw no more revenue per unit of output from the very rich mines than from the lower grade mines, whereas a tax based on net income or on the capitalized value of the property would yield a larger revenue from the richer mines, and this is a point deserving some consideration. It should be noted that the Minnesota taxes on iron mines are of

the sort that fall more heavily on the richer mines than on the marginal mines; that is to say, they are levied on the value of the ore lands, on the "net value" of the ore mined, and on mine royalties. Nevertheless, the result has been, according to the Minnesota Tax Commission, that the development of low grade ores has been restricted, exploration activities have been discontinued, numerous mines have closed down, and thousands of men have been thrown out of work. While all these things have happened since the taxes were imposed, the commission rightly points out that other factors besides the taxes have been operating to depress the industry. But it is clear that the Minnesota Tax Commission attributes the depression in large measure to the heavy burden of taxation.

The foregoing discussion of severance taxes in connection with our discussion of the Minnesota system of classification is admittedly an inadequate treatment of this important subject, but in the section of this report dealing with the gross sales tax (Chapter IX) additional points are developed.

The Low Rate on Household Furnishings

Coming now to Class 2 in the Minnesota classified property tax system, we find here household furnishings, wearing apparel, jewelry, etc., taxable at 25% of full value. A low rate tax on this property is justifiable on the ground that it is not productive of a money income, and on the further ground of expediency—a low effective tax rate making owners less desirous of evading the tax, and thereby leading to more complete assessment. In some states this class is in large measure exempt from taxation, and many assessors advocate its total exemption, holding that the same amount of effort required from the assessors to reach this property would be more fruitful if applied to the better assessment of other classes of property. It may be noted, however, that total exemption of this class of property in Minnesota in 1927 and 1928 would have removed almost 20% of the tangible personal property from tax rolls, or a total in the latter year of $155,841,668.

Seeming Discrimination in Favor of Rural Interests

The discrimination in rates between Class 3 and Class 4 in favor of the former seems illogical, the former including rural real estate and various kinds of tangible personal property and the

latter including urban real estate and various kinds of tangible personal property. Superficially this seems to represent discrimination in favor of rural interests, but the real reason for the higher rate on Class 4 is said to be the greater requirements of the urban centers for local revenue which made them quite willing to agree to assessment at 40% of full value. Naturally the rural interests did not oppose the higher rate on urban property. In a very rough way it is probable that this official classification scheme in respect to Class 3 and Class 4 corresponds to the rates of assessment in effect before legal classification was adopted. It would certainly seem more logical to classify on a somewhat different basis, such as segregation of all personal property from all real property.

What seems to be further discrimination in favor of the farmer is the assessment of the rural property included in Class 3a at the low rate of 10% of full value. Examination of this class shows, however, that it includes some classes of property exempt from taxation in many other states, and the low rate of 10% was adopted in lieu of exemption which involved constitutional difficulties.

Why Minnesota Adopted General Classification

On the whole the classified property tax of Minnesota, so far as relates to the enumerated five classes, shows features not in harmony with a logical scheme of taxation. At least some of the differences in rates appear as arbitrary discriminations without any logical justification, and it would not be advisable for other states to copy closely this plan of classification.

The adoption of general classification in Minnesota (in addition to previously adopted low rate taxation of intangibles) was a curious perversion of a recommendation of the tax commission. Assessors in Minnesota, like those in other states, competed with each other in the under valuation of property, although the statute called for full valuation. As a result, great inequalities existed and ordinary equalization methods were ineffective. Soon after the tax commission was created, it asked the legislature to make practicable its enforcing of the statutory full valuation or, if that seemed too heroic, to provide for *uniform* fractional valuation. It suggested 50% for all property; uniformity was the end sought. The legislature struggled over the details for three biennial sessions, and finally agreed upon classification substantially as outlined in the preceding pages. This was essentially a crystallization into law of something approximating normal practice prior to that time, though there was no such uniformity of practice as such a statement might imply.

The tax commission has never justified the details of this classification, but claims it has resulted in an improvement over the old situation. It could now enforce uniformity within each class, and while this was not all that was desired, it was better than the extreme chaos that existed theretofore. In other words, Minnesota already had special treatment of intangibles before this general classification. The main benefit obtained from the general classification was not from differential taxation at all, but from exactly the opposite, that is, from the measure of ***uniformity*** which this classification made possible.

The Minnnesota Three Mill Tax on Money and Credits

The Minnesota three mill tax on money and credits has been in effect since 1911, two years before the general classified law was passed. Under the three mill tax law money was defined to mean "gold and silver coin, treasury notes, bank notes and other forms of currency in common use." Credits were defined as "every claim and demand for money or other valuable thing, and every annuity or sum of money receivable at stated periods, due or to become due, and all shares of corporations the property of which is not assessed or taxed in this state." The tax did not apply to the money or credits of incorporated banks, such institutions being taxed on the value of their shares of stock.

The low rate tax on money credits, or intangibles, in Minnesota resulted at once in an enormous increase in the total assessment of this class of property. In 1910, the last year of assessment of money and credits under the general property tax, less than $14,000,000 was listed for taxation, while in 1911, the first year under the three mill rate, the returns grew to $115,500,000, an increase of approximately 725%. In 1910 the revenue from this class of property taxed at 28 mills under the general property tax was a little less than $380,000, while the first year under the low rate the revenue was nearly $350,000. The number of returns listed grew from 6,200 in 1910 to 41,439 in 1911. The small loss in revenue from the reduction was obviously far more than offset by the great increase in justice due to spreading the burden over a larger number of persons instead of concentrating it on an unfortunate few.

From the original assessment under the three mill rate of $115,500,000 in 1911, the returns had grown to over $420,000,000 in 1928, the tax producing in the latter year $1,260,000, an increase in revenue of more than 230% since 1911. In 1928, there were returned 102,720 listings, as against 6,200 in the last year of the application of the general property tax.

All this is obviously a good showing, but the tax commission is far from satisfied with it. The commission states in its 1928 report that many taxpayers report only a small part of what they own, and that it is impossible to secure full and complete listings. The assessors themselves in some cases pay very little attention to the money and credits assessment. This points to the general principle that even a low rate tax will tend to be evaded in the absence of vigilant administration.

One important matter in relation to the low rate taxation of intangibles in Minnesota and other states is a legal complication arising from the taxation of the stock of national banks at a higher rate. Two decisions of the United States Supreme Court rendered March 21, 1927, declared void existing property taxes on national bank stock because of the low rate taxes on intangibles. These decisions were based on Section 5219, R. S. U. S., which limits the states in taxing national banks so that the taxes "shall not be at a greater rate than is assessed upon moneyed capital in the hands of individual citizens of such state coming into competition with the business of national banks." Unless this law is changed Minnesota and other states must either give up their low rate taxes on other intangibles or their average rate taxes on bank stock. At the present writing, however, there is a good prospect for such an amendment to the federal statute as will permit the retention both of the low rate taxes on intangibles and the regular taxes now levied on bank stock.

The Minnesota Mortgage Registry Tax

The mortgage registry tax law of Minnesota, enacted in 1907, the year after the adoption of the amendment to the constitution making classification possible, represented the initial step in classification by the state. In Minnesota, as in other states, the taxation of mortgages under the general property tax was a failure. In 1906 only about $4,500,000 in mortgages were listed for taxation,

[1] *State of Minn.* v. *First National Bank of St. Paul*, 47 S. Ct. 468; 273 U. S. 561; 71 L. Ed. 774; and *First National Bank of Hartford, Wis.*, v. *City of Hartford*, 47 S. Ct. 462; 273 U. S. 548; 71 L. Ed. 767.

an amount conservatively estimated as being less than 5% of outstanding mortgages on property located in the state, and the revenue derived from this tax was less than $100,000. The first year under the low rate registry tax the receipts exceeded $306,000, and in 1928 they were in excess of $500,000.

The other taxes in the Minnesota system present no features of particular interest to West Virginia, and need not be discussed here.

The Classified Property Tax of Montana

The Montana classified property tax law was enacted in 1919. Property was divided into seven classes. As in Minnesota differentiation in effective rates was secured by assessing the different classes of property at varying percentages of full value, rather than by applying different tax rates. The seven classes with the ratios of assessment to full value are as follows:

Class 1. Net annual proceeds of mines and mining claims, less deductions allowed; mineral rights and reservations in land, assessed at 100%.

Class 2. Household goods and furniture; agricultural tools, implements and machinery; motor vehicles; water craft; harness, saddlery and robes, assessed at 20%.

Class 3. Livestock, poultry, and agricultural products; stocks of merchandise; store furniture and fixtures, assessed at 33%.

Class 4. Real estate, improvements; manufacturing and mining machinery, fixtures and supplies, assessed at 30%.

Class 5. Money and credits, including state and local government securities but excluding moneyed capital employed in banking business, assessed at 7%.

Class 6. Shares of stock in national banks and moneyed capital employed in banking business, assessed at 40%.

Class 7. All other property, assessed at 40%.

Class 7 includes the important items of property of railroads, telephone, telegraph, electric power and transmission lines.

The principal objects in view in the Montana scheme were to secure heavier taxation of mines, to favor agriculture, and to secure low rate taxes on intangibles, and in general to apply the principle of ability to pay in fixing the effective rates. The peculiar method of taxing mining property and the fractional system of assessment as a whole were the result of constitutional clauses making impossible a more direct and simple scheme of classification. The

plan is said to work moderately well and has resulted in increasing total assessments to more than three times the total assessments under the old system during the years 1917 and 1918, when the mining industry was enjoying war prosperity. Until 1923, the assessment of property was in the hands of local assessors acting without proper state supervision, and this accounts in part for the merely moderate increase in assessment.

Assessment of money and credits increased from $9,613,000 in 1917 to $47,838,000 in 1926, but in the assessment of bank stock and moneyed capital there was an actual decrease of 49.1% during this period, presumably owing to the great number of bank failures in the state.

The Classified Property Tax of Virginia

The classified property tax system of Virginia is notable for the complexity of the classification of intangibles, the variation in rates among the various classes, and the frequent changes that have been made in the rates from year to year, and finally for the fact that some of the rates on intangibles are so high that they can not properly be considered as low rate taxes comparable with such a tax as the Minnesota three mill tax.

The Virginia classified system was put into effect in 1915 and has been changed from time to time. It will serve our purpose to confine this brief discussion to the system as it stood after the changes made in 1926. Under this system classification was combined with separation. Real estate and tangible personal property were made exempt from state taxation, and taxed locally at the regular rates on general property. One exception was the rolling stock of steam railroads which was exempt from local taxation and made taxable for state purposes along with intangibles, at the rate of $2.50 per $100. Public service enterprises were taxed on their gross receipts and therefore were not included in the classification system.

Intangibles, under the law of 1926, were grouped in six classes and taxed as follows:

		Rate per $100
Class 1.	Bonds, notes and other evidences of debt	$ 0.50
Class 2.	Capital (as defined below)	.85
Class 3.	Principal of estates in fiduciary relation	.20
Class 4.	Money on deposit	.20
Class 5.	Shares of stock of non-resident corporations	.50
Class 6.	Bonds of Virginia subdivisions	.35

Bank stock was set aside from other intangibles and taxed at $1.10 per $100.

Prior to the changes made in 1926, Classes 2, 3, and 5 were subject to both state and local taxation and the total maximum rates on the three were $1.15, $1.10, and $1.10 respectively, obviously not truly low rate taxes at all. The rate on shares of stock was changed five times in the period from 1914 to 1926, and the rate on capital seven times. Capital, as the term is used in Class 2, consists of capital invested in manufacturing in Virginia, not including the value of real estate, but including inventories, excess of bills receivable over bills payable, machinery and tools, and money.

Up to 1926 the results under the Virginia system were not particularly satisfactory, owing largely to the minute and illogical classification, differentiation of rates, and frequent rate changes. These changes made owners of intangibles reluctant to declare them since they had no assurance as to the rate policy of the state in the future. Moreover, the system of assessment was not efficiently administered. Consequently assessments under the "low rate" taxes did not increase sufficiently to offset the reduction in rates, and a loss in revenue resulted. For example, during the period from 1914 to 1925, the assessment of bonds, notes, etc., increased less than four-fold, shares of stock less than five-fold, and capital less than six-fold. This contrasts with the increase in the assessments of money and credits in Minnesota to an amount almost 32 times as great in 1925 as in 1910, the last year under the general property tax.

The Classified Property Tax of Kentucky

The classified system was adopted in Kentucky in 1917 and combined with a system of separation of sources of state and local taxation and with a system of centralized control. Consequently improvements which have occurred in assessment can not all be attributed to classification, and as a matter of fact should be attributed primarily to improved methods of tax administration. Various changes have been made in the law since it was first introduced, so our present discussion will be confined to the status of the system in 1926 and thereafter.

Real estate and tangible personal property not otherwise provided for remained taxable at the full city and county rates and subject also to a low rate state tax.

Agricultural implements, manufacturing machinery, raw materials at plants and products in process, live stock and fowls, intangibles other than bank deposits, bank stock, and franchises, were all subject to a state tax of $0.50 per $100, and exempt from local taxation.

Franchises and bank stock were subject to a state tax of $0.50 and the former to the full local rate, and later to a local rate of $0.80 per $100.

Finally, agricultural products, unmanufactured, in hands of agents for sale, were subject to a state tax of $0.50 and a local tax of $0.15; and bank deposits were taxed at the low rate of $0.10 per $100, by the state only.

The significant feature of this classification scheme is the favoritism shown to certain manufacturing and agricultural industries by the inclusion of tangible personal property in the low rate group, and the low rate on manufacturing property, representing a bid for the location of new industries in the state.

One weakness in the Kentucky scheme was the exemption of six classes of property from local taxation, while leaving the assessment of this property for state purposes in the hands of the local assessors, who had no direct interest in the taxes collected on it.

The success of Kentucky in assessing intangibles, however, has been noteworthy. This success has been due mainly to the fact that the tax on bank deposits is payable at the source, by the banks, and to the further fact that in the taxation of other intangibles use is made of the collection of information at the sources in respect to the ownership of such intangibles. The assessment of money on deposit increased from $11,277,000 in 1917, under the general property tax, to $334,975,000 in 1926 under the one mill tax collected at the sources, an increase of 2,870.4%. The increase in assessment of bank stock has been moderate, but the assessment of other intangibles increased from $68,750,000 in 1917 to $457,796,000 in 1926, an increase of 565.9%. It is evident that the bank deposits under the one mill tax and the other intangibles under the five mill rate yield a great deal more revenue than these classes yielded under the higher rates of the general property tax.

Taxation of Intangibles in Other States

Having surveyed in some detail the classification schemes of the four states with comprehensive classification of property for taxation, we may note more briefly some significant features of classification in other states which have adopted partial classification with particular reference to the segregation of intangibles from the operation of the general property tax. The following table, taken from Leland's *Classified Property Tax*,[1] shows the rates at which intangibles were taxed by 16 states having low rate taxes on intangibles in 1927.[2]

Table VII—1: Low Rate Taxation of Intangibles

State	Date of Adoption	Rate in Force	Type of Evaluation
California	1925	1.45 per cent	Annual
Connecticut	1889	4 mills	Registration
D. C.	1916	5 mills	Annual
Iowa	1911	6 mills	Annual
Kansas *a*	1925	5 mills	Annual
Kentucky	1917	5 mills	Annual
Maryland	1896	4½ mills	Annual
Minnesota	1911	3 mills	Annual
Montana	1919	Assessed at 7% of true value	Annual
Nebraska	1921	5 mills	Annual
Oklahoma	1917	Registration at 2% of full value for 5 years	Registration
Pennsylvania	1879	4 mills	Annual
Rhode Island	1912	4 mills	Annual
South Dakota	1919	4 mills	Annual
Vermont	1925	4 mills	Annual
Virginia	1915	6 classes of intangibles Rates vary from 2 mills to 11.0+ mills	Annual

a—In 1930, the Governor of Kansas called a special session of the legislature to repeal the intangible, mortgage registration and secured debts acts. The mortgage registration law was not changed but the others were repealed. The legislature refused to submit an amendment to remove the "uniformity clause" of the constitution. See *Bulletin* of the National Tax Association, May, 1930, p. 229.

In footnotes to this table Leland gives the following additional information, which could not conveniently be included in the table itself:

In Kentucky bank deposits are taxed at a one mill rate. (This we have already noted in our discussion of the Kentucky system.) In Vermont intangibles are assessed at one per cent of value; taxed at 40 cents on the dollar, and bank stock and competing capital taxed at two per cent. Kansas, Kentucky, Minnesota, Oklahoma, South Dakota, and Virginia, also have mortgage recording taxes. Nebraska taxes money in bank and elsewhere 2½

[1] P. 180.
[2] Counting the District of Columbia as a state.

mills; bank stock, 70% of local tangible property rate. In Kansas bonds of other states and foreign governments are taxable at one mill. In Oklahoma a money and credit tax of one-tenth of one per cent was adopted in 1925; intangibles were subjected to a special levy of one-fifth of one per cent in 1927.

Leland's table shows that the most common rate is four mills, while all of the rates included in the table except the 1.45% rate of California and some of the Virginia rates fall within the range of three to six mills. In all except two cases the tax is assessed annually.

The table just quoted shows the widespread use of the low rate tax on intangibles, but gives no indication of the results achieved in assessment of intangibles as compared with assessment under the general property tax. Leland undertook to show such results in a tabulation of the percentage increase in assessments for the various states in 1926 over the last year of assessment under the general property tax and the first year of assessment under classification.[1] He was unable to obtain comparable figures for all of the states having low rate taxes on intangibles, and his table for 16 states was left with many gaps. From his table the following table has been adapted, listing only those states for which the percentage increase can be given both for 1926 over the last year under the general property tax and for 1926 over the first year under classification.

TABLE VII—2: PER CENT OF INCREASE IN ASSESSMENTS OF INTANGIBLES UNDER CLASSIFICATION SYSTEMS

(Percentages appear in last two columns)

State	Year of first Assessment under Classification	Increase in Assessment under Classification (1926) over last Assessment under General Property Tax	Increase of 1926 Assessment under Classification over first Classification Assessment
Minnesota	1911	580	259
Virginia	1915	199	127
Kentucky	1918	967	103
Montana	1919	142	36 (decrease)
South Dakota	1914	365	33 (decrease)
Nebraska	1922	69	14 (decrease)
Kansas	1925	32	7

First of all it may be noted that of the seven states included in this table, the first four are the states having comprehensive systems of classification. In all seven of the states included, assessment under the low rate tax in 1926 was greater than under the last year of assessment under the general property tax. In Kentucky the rate of increase was enormous and was the result in large measure of efficient methods of administration already discussed. In Kansas the increase was small—so small that the low rate tax resulted in a loss of revenue from the taxation of intangibles. Our table shows that in the cases of Minnesota, Virginia, and Kentucky, there were substantial increases in 1926 over the first year under classification. On the other hand, in Montana, South Dakota, and Nebraska, the assessment in 1926 was less than in the first year of classification, although greater than in the last year under the general property tax. The decrease may in part be attributed to depression in agriculture.

[1] *Classified Property Tax*, p. 413.

The results in the seven states included in our table are typical of results in other states with low rate taxes on intangibles. Generally the low rate taxes have resulted in an increase in assessments over the last year under the general property tax; and Leland points out in this connection that in some states not adopting the low rate taxes, assessment of intangibles has tended to decrease during the same period, as, for example, in Illinois, and in no state not adopting classification has there been an increase as significant as in most of the states adopting classification.

In some cases the increase in assessment of intangibles under the low rate taxes has been so great that the low rate taxes have yielded more revenue than the former high rate taxes. In such cases not only has there been a more equal distribution of the burden of taxation among the owners of intangibles, but other classes of property have been relieved of some part of their burden. In other cases there has not been a great enough increase in assessment of intangibles to offset the lower rate, and a loss in revenue has resulted, thus throwing an additional burden upon other classes of property. But it would seem that in these cases the loss in revenue from intangibles is offset by the increase in justice resulting from spreading the burden on intangibles over a larger number of owners rather than concentrating it in the form of confiscatory rates on a relatively small number of conscientious, ignorant, or legally handicapped owners.

CONCLUSIONS RESPECTING CLASSIFICATIONS

So far it has proved impracticable to assess all property at its full value, hence it has not been feasible to tax everybody on his

net worth, that is, on his assets less his debts. As has been shown above, a result more equitable to all can be attained by exempting intangibles that represent property already taxed. Many people, however, do not understand the nature of existing double taxation, its effect upon supplies of capital and upon interest rates, and hence object to the exemption of intangibles as favoring the moneyed classes. As long as this misunderstanding prevails, exemption may not be feasible and low rate taxation of such property may be the best practical compromise.

On the whole, experience shows that the low rate tax on intangibles is a decided improvement over taxing intangibles under the confiscatory rates of the general property tax, under which evasion is the rule and assessment the exception reserved for the unusually conscientious, the ignorant, and the helpless. Nevertheless, assessment of intangibles even under the low rate taxes is far from perfect, and it is probable that under the most favorable conditions less than half the intangibles are actually reached, except in those cases in which collection at the source is utilized. It would seem that other states might follow with advantage the example of Kentucky which has achieved unusual success in taxing intangibles by collection of information, and by collection of the tax itself, at the source.

A still better solution is the reaching of the tax paying ability represented by intangibles under a good state income tax, where that is feasible. This solution would also meet most of the arguments advanced for general classification.

Perhaps one caution respecting the classification of intangibles should be given. Numerous states having such classification have gotten in trouble in connection with their taxation of national banks since the decision of the Richmond case in 1921.[1] This difficulty seems in a fair way to be solved, however, at least in part, by a revision of the federal statutes providing for the state taxation of national banks.

The wisdom of the general classification of all property and the application of different rates to each is much more open to question than is the special treatment of intangibles. There is, however, a fairly strong case for the special taxation of forests, not so much on fiscal grounds as on grounds of general public policy. This is discussed in Chapter XIII of this report. In view of the great uncertainty of the future life and yield of gas and oil wells, there are special difficulties in arriving at fair values for them and

[1] 256 U. S. 635 (1921).

hence the property tax is not well suited to them. Equitable yield taxes would appear more appropriate in the cases of such properties. This statement does not apply with the same force to coal lands, however. With proper tests and specially trained appraisers, they can probably be valued as accurately as farm and city real estate, although none of these classes of property is now assessed accurately and equally under the existing situation.

It is a big question, however, whether or not the adoption of general classification by West Virginia at this time would cure more evils than it would cause. This would depend largely upon the wisdom and fair mindedness of the people of the State and of their representatives in the Legislature. Perhaps the influence of outside capital interested in West Virginia's taxes should be taken into consideration also.

With general classification, there are almost infinite possibilities in the determination of what property shall be included in each class and also in what the rate of taxation shall be for each. Unless certain groups or blocs are strong enough and united enough, and unless their interests remain allied long enough to settle the whole classification and rate matter once and for all—and this settlement may be either good or bad—there is almost no end to possible jockeying, trading, and changing of classifications and rates. If, as stated above, the people of the state and their representatives are unusually wise and fair minded, classification permits some desirable adjustments. It is for each state to decide for itself whether or not, under given conditions, the balance of advantage lies on the side of general classification.

On the whole, it appears wisest for West Virginia to defer consideration of *general* classification, at least until provision is made for the recommended reassessment. Classification would, of course, require a constitutional amendment.

The elimination of double taxation of property represented by intangibles, the inclusion on the tax lists of most tangible property now exempted, and the accurate and equal assessment of all, would achieve most of the legitimate ends usually sought by classification, as well as greater results that classification can never attain.

It should always be borne in mind that classification, or the reduction of the tax rates on any number of classes of property, is not an adequate substitute for efficient and vigilant administration. Methods of improving administration will be discussed in the next chapter.

Chapter VIII

CENTRALIZED SUPERVISION OF ADMINISTRATION

Development of Supervision of Assessment

SOME of the evils of the general property tax, it has been seen, are alleviated or removed by the device of separation of sources of state and local taxation accompanied by the introduction of new and additional taxes as sources of state revenue. Some of its evils are likewise diminished or abolished by the device of classification, with low rate taxes on intangibles. But neither of these devices singly nor both combined will provide any state with a reasonably satisfactory tax system if not accompanied by effective centralized control and supervision over local assessment.

Fortunately during the last forty years there has developed a strong movement in the United States toward such centralized control and supervision. The first step was represented by the establishment of local boards of review and equalization by towns, cities, and counties, whose primary purpose was to smooth out some of the inequalities of assessment between individuals of the same tax district, and, in the case of the county boards, inequalities between the tax districts of the same county. The creation of these local boards with their limited powers to wipe out the inequalities arising from inefficient original assessment was followed by the establishment of state boards of equalization for the primary purpose of securing a more equitable distribution of the state tax. The state boards of equalization were ordinarily composed of ex-officio members holding other important state offices and burdened with too many other duties to give sufficient attention to the serious business of equalization. Moreover, these boards were given powers and jurisdiction wholly inadequate for the proper performance of their duties, and they made little headway in developing a reasonably satisfactory system of taxation. A further hampering circumstance was the fact that they were chosen for office for reasons or qualifications quite different from proficiency in matters relating to tax administration. Political considerations rather than sound and effective tax administration were too often guiding motives.

A further step in administrative reform was represented by the growth of state control of the assessment of corporate property, particularly of the property of railroads and certain other public utilities, including telegraph, telephone, and car companies. It was in the assessment of the property of these corporations that the farcical nature of local assessment without state supervision first became glaringly obvious.

With the development of new and additional taxes to meet the increasing demand for both state and local revenue, it became apparent that more effective administrative machinery was required than the ramshackle system represented by unsupervised local tax officials plus ex-officio politically minded state boards of equalization. This led to the introduction of the professional state tax commission, the first of these having been that of Indiana, created in 1891.

Appointive State Tax Officials

Once started, the movement for the creation of appointive tax commissions developed rapidly and, by 1929, 42 states had such commissions, or commissioners, finance or tax departments, or boards of equalization or assessment. Of these, 31 had either a tax commission of several members or a single tax commissioner, while the others had officials designated by some other title.[1] Of the various tax commissions or boards, 24 consist of three members, six of five members, and one of four members. In the other eleven states with appointive tax officials, one commissioner only is appointed.

It is generally agreed that elective tax commissioners are subjected to too much political pressure. As indicated by the figures just given, a commission of three members is generally favored. The arguments for this number of commissioners are as follows: A commission of three members is not too large to carry on executive functions vigorously and it gives the advantage yielded by the combined judgment of men of varied training and experience. This is particularly important with respect to the quasi-judicial functions of tax administration, too many of which are now placed upon the courts in West Virginia. If the commission is entrusted with broad powers of review and equalization, and also with certain quasi-legislative powers which it should have to function properly, and in conformity with best modern practice, the duties are gener-

[1]California Tax Commission, *Final Report*, 1929, p. 117.

ally too onerous for a single commissioner. In addition, the advantage of continuity of policy is impossible to secure when there is but one commissioner who may take his policy with him when his term expires.[1] With the terms of office of the three commissioners expiring in different years, the commission may always retain at least one experienced member. A further reason for the appointment of a three member commission instead of a single commissioner is the fear of giving too much power to one man. Some think that a single commissioner is more likely than a three member commission to subordinate duties to political ambitions.

While a three member commission is deemed superior to a single commissioner for these various reasons, more than three members tend to make the commission unwieldy and to pave the way for an unnecessary amount of dissension. Furthermore, a small commission is much more likely to be state minded than a large commission each member of which represents some political district or section.

On the other hand, much can be said in favor of a single commissioner. It is of decided advantage to fix responsibility in one man, despite the possible dangers that may lurk in the delegation of great powers to a single individual. These dangers are usually more imaginary than real if the man is carefully chosen. The lack of continuity of policy is one of the main disadvantages of the one man commission, but this disadvantage can be overcome partially by the appointment of capable subordinates to hold office under civil service rules. The advantages of a single tax commissioner and also of a commission of three members may be combined to a certain extent in a commission of three where the administrative responsibility is definitely placed upon the chairman. The New York Commission is organized upon this basis.

What is wisest for West Virginia or any other particular state depends much upon the type of men who are actually appointed to such positions, upon the willingness of the Legislature to entrust adequate powers and funds to them, and upon the popular support which can be brought to uphold the administration of the law. It should be remembered that the traditions, practices, and beliefs which have become established in the State are most important. There is considerable evidence that West Virginia legislators and others are rather loath to grant adequate powers to a single commissioner, or even to a commission for that matter, though it

[1]Ibid., p. 117.

appears probable that they would grant more adequate authority to a commission of three than to a single individual. This together with the exercise of the quasi-legislative and quasi-judicial functions necessary for best modern tax administration which, as mentioned above, puts unduly heavy burdens upon a single commissioner, makes the weight of evidence appear to favor a commission of three for this State.

The necessity for highly specialized knowledge and the value of accumulated experience make a relatively long term of office desirable for tax commissioners, and such a term is provided in most states, although not in all. In 21 states the tax board or commissioner is appointed for a term of six years and in 13 states for a term of four years. Three states have a two year term, while two, Arkansas and Wisconsin, have an eight year term.

Of these various tax commissions, or boards, the most common functions are supervision of local tax officials, power to order reassessments, making or assisting in state equalization and assessing property of public utilities. These functions or powers are all exercised in connection with the administration of the property tax. Other functions, related to special taxes, are administration of: the franchise taxes on business corporations, the inheritance tax, the motor vehicle tax, the license taxes, the gasoline tax, and the income tax. In some states these various functions are divided among two or more administrative bodies, but there is a general tendency to concentrate all these functions in the hands of one department or board in the interest both of economy and efficiency.[1]

In this section of our report we are concerned primarily only with that part of the work of the tax commissions pertaining to supervision over local tax officials, the purpose of which is to secure a reasonably equitable original appraisal of locally assessed property.

Good Local Assessment Extremely Important

Under the general property tax unmodified by separation or classification the most important single administrative feature is, of course, the original assessment by local tax officials. When assessment is done badly the evil results can not be undone by equalizing and reviewing. It is universally agreed that good equalization can never be a satisfactory remedy for a poor assess-

[1]California Tax Commission, *Final Report*, 1929, pp. 117-20.

ment. It should also be emphasized that neither separation of sources of state and local taxation, nor classification of property for purposes of taxation, diminishes appreciably the need for good local assessment.

Under separation the state government may derive all or nearly all of its revenue from sources other than the general property tax, depending on such taxes as income, inheritance, motor vehicle, and special corporation taxes. Classification may remove intangibles from the jurisdiction of the local assessor in part, and state assessment of corporate property, even where it is locally taxed, may reduce somewhat the importance and complexity of the task of the local assessors. But after making full allowance for all these modifications in the general property tax, local assessment of local property remains extremely important—in most states, in fact, the most important feature of the tax system. If it is not done well the tax system must be considered poor.

Local assessment is so exceedingly important because it is the local property tax assessed by local tax officials that represents the heaviest burden on the average taxpayer in the United States, not excepting the average taxpayer in West Virginia. Removing the state levy on general property does not lighten this burden a great deal because ordinarily the state levy is only a small fraction of the local levies.

The Local Assessor and His Work

In view of the significant place that local assessment occupies in the tax systems of the various states, it is unfortunate that it is almost universally poorly done. The bad results are more the fault of the system than of the tax officials themselves. The faults of the system can be readily pointed out and practicable remedies for some of them can be suggested. Although political conditions preclude the application of an ideal system, experience in some of the more progressive states shows that local assessment can be considerably improved, that it need not be as badly done as it usually is done.

The greatest single cause of defective local assessment is the method of choosing local assessors by election for relatively short terms. The natural result of this method of choice is that a large proportion of the assessors are without special training or experience that fits them for their task, and they are subject to political pressure and biased by desires to favor their political supporters and their localities. The low salaries offered and the short tenure of office do not encourage men of great ability and proper training to run for office and, of the various candidates that enter the race, it is not always true that the voters act with rare discrimination and select the best. The evils of this method of selecting assessors are naturally greater in states making the township the tax unit than in states which, like West Virginia, elect a county assessor.

Since the first essential of a good assessment is an assessor qualified by training and experience to do his work, and since elected county, township or city assessors are unlikely to be so qualified, there is a strong tendency for tax experts to recommend that the local assessor, a purely administrative official having nothing to do with governmental policies, should be appointed by the state tax commission. Since, however, such appointment of assessors is not likely to be favored by the people, it becomes necessary to compromise between political expediency and efficiency, and to secure the best possible results from elective assessors.

In West Virginia we already have what would represent a great reform in many states, namely, county assessors rather than township assessors, and a relatively long term of office, four years. It has been suggested that better assessors might be secured if the candidates for the office were required to pass a qualifying examination demonstrating their capacity to do reasonably good work in assessment, the examination to be set by the State Tax Commissioner at convenient times and places. If such examinations were properly conducted, and if all assessing were under efficient state supervision, great improvement could be brought about. Salaries large enough to attract properly trained men would be a real economy under such conditions. But this may be too advanced for immediate public approval.

Standardization and State Supervision

Regardless of how the local assessor is chosen he should be provided with a systematic plan of assessment of the various classes of property and with such equipment as will make possible a reasonably good assessment. Moreover, the various local assessors should all be required to use the same system. In other words, there should be standardization in assessment, and standardization means centralized supervision. This centralized supervision should be by the state tax commission or commissioner.

There is so little standardization or system in the local assessment of property in West Virginia and so many assessors merely copy last year's books, or otherwise perform their duties in such perfunctory ways, that it may not be amiss to indicate the possibilities of improvement by citing a limited number of details of methods used in other states.

The beginning of a good system is the separate assessment of land and improvements. This much is provided for in West Virginia but it implies knowledge on the part of the assessor as to what improvements are actually on the land being assessed. Copying the books is not the full equivalent of viewing the property, and even the latter is not all that is necessary for an accurate assessment for most kinds of property. When a lot is assessed at $125 one year, afterwards sells for $3,000 and then is reduced to $100 the next year in a general horizontal cut, one can guess something of the methods of the assessor. (See Chapter V, p. 125.)

When parcels of real estate are omitted from the rolls year after year, the need of maps is indicated. To aid in the assessment of land, both urban and rural, there should be provided for the assessor a tax map of each district, determining the "metes and bounds" of each parcel. This is particularly important in the thirteen original states, including West Virginia, which were never surveyed under Jefferson's township and section system.

In regard to rural land, it has been urged in many quarters that it be classified as to character, uses, distance from market, etc., and that standards of value be determined for each class, so that the valuation of land becomes a systematic and not a haphazard performance. In some form, such classification of land has been adopted as a basis of assessment in a number of states. In Montana, for example, land has been divided into three primary classifications: grazing land, non-irrigated farming land, and irrigated farming land. In general the surveys show for each 40 acres how much first-class dry land there is, how many acres there are of first, second or third-class grazing land, and how many acres there are of first, second, or third-class irrigated land. The assessors fix values on the various classes, making allowance for differences in distance from a shipping point.

The chairman of the present State Board of Equalization states that the actual original classification was not done so well as it might have been under proper supervision and, consequently, results are not so good as they should be.[1] It should be added, moreover, that the work of classification in Montana was expensive. Despite these criticisms, the classification is said to be a distinct improvement over the former situation.[2]

[1]Letter of August 29, 1930.

At the 1924 conference of the National Tax Association, Mr. H. L. Eveland, a member of the South Dakota State Tax Commission, spoke in favor of land classification, and recommended in particular the following plan:

> "We believe that counties that undertake such work should have a record card system, similar to that in use in many cities in the assessment of lots and structures, and that such cards should contain provision for giving the character of the soil; presence of gravel, sand, or stone; depth of water; lay of land; prevailing slope; presence of ravines, runs or streams; timber, if any; productiveness of soil; state of cultivation; drainage; whether or not tile has been laid where needed; distance to market; whether on main traveled road or not; rural mail service; telephone service; church and school facilities; presence of railroad right-of-way and fences; character of surrounding lands and other conditions that have a bearing on value, and thereupon give each political sub-division of land a rating by number or letter."

Despite the mass of details enumerated in this plan, the commissioner thought that the work of classification could be done without unwarranted expense. While he suggested that the classifiers be selected by county boards, it would seem preferable to have such work of classification done under the supervision of the state tax commission by their own appointees, who might be local men qualified by training and experience for this work. In one county in South Dakota, the commissioner pointed out, lands had been classified with reference to fertility as Grade A, Grade B, and Grade C, etc., and each of these grades had been subdivided with reference to distance from market, as A1, A2, A3, etc. This classification had been adopted to a considerable extent by assessors in making their initial assessment.

Naturally, a system of land classification suitable for Montana or South Dakota would not be suitable for West Virginia but the details of a system that would be suitable could be worked out readily by men qualified for the task. Where some sort of a systematic classification is not worked out, the assessors inevitably devise a crude classification of their own which is likely to be inequitable and unsatisfactory.

[2]Walker, J. W., National Tax Association, *Proceedings*, 1925, pp. 74, 75.

Once the land is classified with reference to the various factors affecting its value, the sales method may be used in fixing a standard of value for each class, or in checking upon values determined by other methods, such as the capitalization of net income at the current rate of return on property of that particular type.

The work of land valuation should be continuous throughout the year and performed by a competent staff in each assessment district.[1] During the year the staff should accumulate data concerning sales considerations, changes in use, rentals and other information bearing on value. To make this work possible from the standpoint of economy, the tax district should be large enough, or rather rich enough, to permit the employment of one permanent official together with such clerical assistants as may be required from time to time. In this connection might be suggested the expedient, probably politically impracticable, of combining some of the poorer counties of the state into single tax districts, on the principle that one good assessor is better and cheaper than two poor ones. Incidentally this principle is just as applicable to some other county officials as to assessors, and could be made a means of real economy. The State is probably not prepared for this at present, however.

The problem of valuation of urban land differs in various respects from that of rural land. The quality of the soil is ordinarily of negligible importance, while small differences in location are of outstanding importance. Various systems or rules of valuation have been developed and are widely used, particularly in large cities. These rules make allowance, in a systematic way, for the various important factors affecting values of city lots, including depth of the lots, and the influence of alleys, corners, and irregular shapes. It is desirable that local assessors be familiar with these systems and that they make some application of them. If assessors do not apply some carefully developed system, they will probably use a worse system of their own, little better perhaps than no system at all.

When we come to the valuation of improvements on land, the main item is buildings. In the interest of equitable valuation of buildings they should be classified on the basis of type of construction and use. In fixing the valuations, cost factors should be applied, taking into consideration materials, height, building codes, etc., all in a systematic way. Finally some standard of depreciation ought to be determined for each type of building. Unless these things are all done systematically they must of necessity be

[1]See Lutz, H. L., *Public Finance*, 1929, p. 393.

done in a haphazard manner, leading to results little better than guessing at the values of various pieces of property. All this applies primarily to business structures, but it applies also to urban residential property and to rural buildings. Rules and systems, of course, are not to be used as substitutes for good judgment, but as aids to better judgment.

Obviously the numerous local assessors of West Virginia, many of them with little or no previous experience in making appraisals, and few of them specially trained in assessing, cannot all be expected to perform their work systematically, or to apply any considerable degree of standardization in methods, or to obtain uniformity of results, unless they secure a great deal of aid and supervision from a central state agency.

The State Tax Commissioner does give some such aid and direction and is prepared to give much more, but apparently an unfortunate situation has been developing over a series of years which prevents him from carrying out anything like adequate supervision. In actual practice some of his suggestions are put into effect but most of his recommendations are considered advisory rather than mandatory and are often ignored or overruled by assessors and county boards.

The statutes appear to give the Tax Commissioner ample power, but behind the statutes are a long line of practices, traditions, and public opinion that practically paralyze much of his seeming power. There are, moreover, some serious defects in the law which in practice permit the county boards and the courts to render ineffective much that the Commissioner might otherwise do. While the Commissioner has power to order a re-assessment in the county, this authority cannot be exercised until the local assessor has failed to do his duty. After this has happened, there is not sufficient time in which to make a thorough re-assessment. Of course, the making of re-assessments, the employment of expert assistants needed the year round, and the maintenance of an adequate staff of supervisors would require additional funds.

Supervision of Local Assessment in Wisconsin

In the matter of supervision of local assessment by a state tax commission, no state has made a more commendable record than Wisconsin, despite the fact that it labors under the handicap of being compelled in the interest of political expediency to use the antiquated and naturally inefficient method of assessment by elec-

tive town (township) assessors. Because of the leading position Wisconsin occupies in this matter of state control and supervision of local assessment, it will be desirable to consider in some detail the operation of the Wisconsin system.

Although Wisconsin has supplemented the general property tax by various other taxes, including a state income tax, a very large proportion of all taxes levied in the state is still levied on general property. Out of a total tax of $172,627,655 levied and collected from all sources, in 1929, $117,520,468 was levied on general property. If to this is added the $12,281,425 levied on special property, assessed by the tax commission, we get a total property tax of $129,801,893, or more than three-fourths of all the taxes levied in the state.

The general property is assessed by local assessors in 1,279 towns, 357 villages, and 144 cities in the state, or a total of 1,780 assessment units. Without question it is a difficult task to procure the efficient assessment of the general property in the state, subject to heavy taxes, by such a large number of local assessors, some of them elected, and others appointed by local officials, and many of them having no special qualification for their office. But it is generally agreed by those who have studied the Wisconsin system that under the supervision of the tax commission it is being done unusually well.

In Wisconsin as in many other states, each of the local districts has its local board of review which may make changes in valuations placed upon property by the assessors, and correct errors, and there is also the county board of supervisors which assesses the total value of taxation districts in apportioning state and county taxes. But the Wisconsin system depends for its efficiency not so much upon the work of local boards of review as upon the original assessment made by the assessors, with the aid and under the supervision of the state tax commission.

To begin with, each local assessor is provided with complete and extremely clear instructions on how to proceed to make a good assessment. Frequently revised "Assessors' Manuals" explain in simple language and in detail the various problems which may be encountered by the assessors in the various classes of tax districts, rural, village, and city. In addition to being provided with a copy of this manual, each assessor is provided with blank forms on which he is to enter his assessments of property, all systematically classified. The printed forms include a personal property blotter, a real estate blotter, a field book, and the assessment roll.

The personal property blotter is a sheet upon which are printed the various classes and grades of this kind of property. It is for use of the assessor in the field and is so printed as to facilitate the entering of different grades and classes of each taxpayer and computing their values by standard methods. Similarly, there is a good real estate blotter, which is carried in the field. From this the assessor may transfer the totals to the assessment roll, a bound book, which, not being carried in the field, may be preserved in good condition as a permanent record.

The statutes have enumerated thirteen classes of personal property, with a fourteenth class including "all other personal property," and the forms provided for the local assessors require them to assess personal property in accordance with this classification. The important and troublesome classes of personal property represented by merchants' and manufacturers' stock are assessed with the aid of inventory statements made annually for state income tax purposes, and the assessors are given precise instructions in respect to making use of these statements. They are also given many suggestions for determining unit values for other classes of personal property.

In the assessment roll book, real estate is divided into six classes, each into land and improvements, as follows:

Class A, Residential
Class B, Mercantile
Class C, Manufacturing
Class D, Agricultural
Class E, Marsh, cut-over and waste
Class F, Timber.

In the field book in which the assessor enters his initial assessment, Classes D, E, and F are subclassified, and the assessors are instructed to determine for each tract of land the quantity properly belonging to each subclass. For agricultural land the subclasses are first, second, and third grade plow land, wild hay land, and wild pasture land. Having determined the amount of land in each class, the assessors are required to determine the value per acre of each class, their valuation being based upon sales data, and information from loan agents, bankers, real estate brokers and land owners.

The systematic assessment of urban land is a special problem and has been better developed than the appraisal of agricultural land. Improvements are likewise assessed on the basis of as exact information as is obtainable. Building cost factors are employed, both

for rural buildings and city structures, but cost of construction figures, less depreciation, are modified by any other considerations having a bearing on each particular class or case. Sales data, for instance, are used to check cost data. Assessors in cities and villages are provided with instructions on the valuation of lots and buildings, including rules concerning corner influence, alley influence, and the influence of depth of lots and irregular shapes. The "Assessors' Manual" carries depth factor and other tables, as well as a considerable mass of other details relating to valuation. The use of maps is recommended particularly.

For the further instruction of assessors the law requires the "supervisor of assessments" to hold a meeting of all the assessors in each county annually. At this meeting the local assessor can have cleared up any points relating to assessment concerning which he is in doubt after having studied his manual, and he may receive his blank forms if he has not previously obtained them.

The Wisconsin Supervisors of Assessments

The Wisconsin supervisors of assessments form a most important part of the system. The office of supervisor of assessments was created by law in 1901. It was the duty of this official to furnish the county board of equalization and review with objective standards which it was hoped would enable that body to make a more equitable equalization of values among the tax districts of the county.

When the income tax law was put into effect in 1911, the duty of supplying the county boards with statistical data was turned over to the income assessors. The full title of these officials, indicating their double duty, is Assessor of Incomes and Supervisor of Assessments. In 1929 there were 25 of these, the districts of some of them including several counties. This number represents a reduction from the number appointed in earlier years.

Each supervisor has full and complete supervision and direction of the work of all assessors in his district, subject to the supervisory power of the state tax commission. In detail the duties of the supervisors include:

(1) General supervision over the assessment of all taxable property.

(2) Examining and testing the work of assessors during the progress of the work to ascertain whether they are assessing at true value or are omitting taxable property from the roll.

(3) Reporting in writing to boards of review in case assessors are assessing property at other than full value.

(4) Applying to the circuit court for removal of any assessor guilty of discrimination in assessments or of other violation of law.

(5) Reporting to the county board showing the work of local assessors in detail and providing such board with statistical information upon which to base the county equalization.

(6) Revaluing the property of any assessment district on order of the county board.

(7) Overseeing generally any reassessment order by the tax commission and rendering practical assistance to the person making the assessment.

(8) Attending annual meeting of assessors of income to confer with and receive instructions from the tax commission.[1]

This mere list of duties is not so important as the actual practice and tradition which has been developed under the leadership of the tax commission, supported by public opinion throughout the state.

Originally, under the law of 1901, the county supervisor of assessments was appointed by the county board, and was thus subject to local influence. But after 1911, when the office of supervisor of assessments was merged with that of assessor of incomes, these officials were appointed by the state tax commission under civil service rules, and this was a distinct improvement. It removed the supervisors from local influence and brought them into closer direct relation with the tax commission.

The locally appointed supervisors of assessments succeeded in increasing substantially the ratio of assessment to full value, and a further improvement was effected by the supervisors appointed after 1911 by the tax commission.

The data supplied to the county boards for equalization purposes by the supervisors of assessments are based in part on sales statistics. The supervisors take from the records all sales and eliminate from them carefully all except those that are for cash or its equivalent and are free from all circumstances that would tend to make the property sell either above or below its true value. These sales figures are then compared with the assessment on the same specific pieces of property. A percentage of assessment to sales value is thus obtained which may be applied to the assessment of all the property in the district. In recent years the sales have been too few, on account of depressed real estate conditions, to

[1] See *Twelfth Report* of the Wisconsin Tax Commission, p. 39.

make a thoroughly satisfactory basis of valuation, and the sales data have been supplemented by other information in order to obtain a broader and more reliable basis of valuation. Generally the values found by the supervisors have been accepted by the county boards in their work of equalization, and thus have become the basis of taxation in the several tax districts of the county. Consequently no district stands to reap any substantial gain by undervaluation through shifting some of its fair share of the burden of county and state taxes to other districts. The lower its ratio of assessments to sales, the greater will be the increase in valuation recommended by the supervisor and accepted by the county board. If a town has a ratio of 100%, the original assessment stands without change; but if its ratio is only 50%, the supervisor recommends that the assessed value be doubled, so nothing is gained by the 50% undervaluation. The fact that local underassessment results in no clear gain tends to promote a high ratio of assessed to true value.

State Assessment, Review, Reassessment

In respect to the state valuation placed by the tax commission on the property in the various counties similar methods are used and similar considerations apply. The commission utilizes the sales records of the supervisors of assessments in arriving at its valuation of real estate, and uses values for personal property secured from reliable sources independent of the values fixed by the local assessors. Thus any tax district finds it difficult to shift the burden of the state tax to other districts through undervaluation. While the work of the county boards and the tax commission thus in large measure nullifies the attempt to avoid the state tax, there still remains the possibility of discrimination among the taxpayers within a tax district. However, a high average ratio of assessment to true value diminishes the possibilities of personal discrimination.[1]

As in most other states any taxpayer who feels aggrieved may appear before the local boards and appeal for a review of his assessment and upon presentation of adequate evidence may have his assessment changed. The local board may also change assessments on its own initiative if proper testimony is offered.

[1]The Wisconsin Tax Commission's system of "equalization" is peculiar. In essence it apportions the state tax on the basis of what it considers fair valuations and does not ordinarily change valuations for local taxes unless requested to make an equalization. Its "equalizations" for state purposes, however, have much weight with local assessors and boards.

Any taxpayer may also appeal to the tax commission for a review, provided his complaint is filed within twenty days after the adjournment of the local board, and the assessment complained of does not exceed 10% of the assessed value of the district. Under the same conditions any three taxpayers may ask for a review of the assessment of the property of other taxpayers. All this applies to specific pieces of property.

Of greater significance is the provision for reassessment of all the property of a tax district. When an application for reassessment is filed with the commission, signed by the owners of at least 5% of the taxable property in the district, the commission is required to hold a hearing to determine what the facts are. If, after a thorough investigation, the commission determines that the assessment as made is unequal and discriminatory, it may order a reassessment of part or all of the taxable property in the district. When a reassessment is made, the commission may appoint a special assessor to make it or to aid the regular assessor.

The net result in Wisconsin of the careful instructions to local assessors, the checking up of their results by the supervisors of assessment by sample assessments, the sales method and other devices, the penalties to which the local assessors are liable for violation of the law, the power of the tax commission and the supervisors to bring about the dismissal of delinquent assessors, and finally the nature of the county and state equalization and the power of the tax commission to order reassessments, has been an unusually good assessment in recent years, approaching reasonably close to assessment at full value, and contrasting with the poor results in many other states. All this, it should be remembered, is under the handicap of the inherently defective system of assessment in small assessment units, by poorly paid assessors, working only part time, many of whom are elected, and consequently likely to be chosen without regard to their fitness for the work. An equal amount of state supervision, supported by general public opinion, ought to give West Virginia, with its county system of assessment, even better results.

State Supervision in Minnesota

The classification of property for purposes of taxation as a means of tax reform in Minnesota tends to distract attention from the excellent work of the Minnesota Tax Commission in supervising local assessment, a matter of greater importance than classifica-

tion. In some respects the Minnesota Tax Commission has more adequate powers of equalization than the Wisconsin commission, but it has to contend with a similar system of township assessors and, unfortunately, lacks the very important intermediary supervisors of assessments.

Usually each township, village or city constitutes a separate assessment district, each district generally having a different assessor. The area and population of the towns and villages are too small to require the assessor to devote all his time to the making of the assessment. Usually his work is done in from three to eight weeks, and for the rest of the year the assessor's mind is centered on his personal business. It is not to be expected that under the circumstances the local assessors should become great experts in assessment.

State supervision of the work of local assessors is especially difficult because of the fact that the total number is nearly 2,800, an average of more than 32 to the county. The quality of these 2,800 assessors is not improved nor the work of supervision made easier by the fact that they are elected, ordinarily for terms of two years.

To complete the picture of the assessment machinery of the state we may note briefly that there are local boards of review in each town, village and city, whose duty it is to review and correct the assessment made by the assessors, and county boards of equalization to equalize the assessments of the various tax districts in the county. Finally, the tax commission acts as a board of equalization for the whole assessment in the state. In short, the machinery is not different in essential details from that employed in many other states. But it works better than in many of them. Why it does so can be explained by a brief discussion of the methods employed by the commission in its work of supervision.

The Minnesota Tax Commission begins its work at the beginning. It instructs the local assessors and brings tactful but persistent pressure to bear upon them in order to obtain the best possible initial assessment. It meets with the assessors in all counties, at least every two years, in most of them, each year. It provides them with an assessor's manual, and instructs them further in their duties by correspondence. In 1928 it inaugurated a new aid to equitable assessment in the form of appraisal cards to be described below. In short, the Minnesota Tax Commission does all that it can to obtain a good original assessment.

Next it undertakes to induce the local boards of review to make a conscientious, and not merely a perfunctory, review of the initial

assessment. The boards are reminded in letters and by conference that they are required by law to examine each individual assessment, and to see to it that no property is underassessed or omitted. Better results would be obtained if intermediary supervisors similar to those of Wisconsin were available, but the Minnesota Tax Commission has tried in vain for years to secure the authorization of county assessors.

Finally the commission works to procure a careful equalization by the county boards. It reports that the equalization work of these boards shows improvement year after year. In the personal property assessment of 1927, for example, the task of the county boards was so thoroughly done in 50 counties that no general percentage changes were made by the commission in those counties, and in 1928 there were 28 counties which required no general changes either in personal or real property.

The good work of a large proportion of the county boards does not, however, deter the tax commission from making a thorough examination of the work of all the county boards of equalization. In 1927, the commission devoted nine weeks, and in 1928, ten weeks, of continuous labor to the work of equalization, during which many hearings were held. The commission receives, considers and determines, also, thousands of complaints, petitions and applications for relief, covering a great variety of grievances arising out of the assessment and taxation of property. If the commission is of the opinion that the assessment in any case has not been reasonably well done, it has the power of ordering reassessments and may appoint special assessors for this work. In 1928, it ordered 37 reassessments in various taxing districts and appointed 34 special assessors. It should be added that the commission does not hesitate to use its power of ordering reassessments freely, and this has a strong influence in obtaining good original assessments. Only in the beginning, years ago, did these reassessments threaten serious political upheavals.

Concerning the appraisal card referred to in a preceding paragraph it may be said that it is simply a work sheet to be used by the local assessors in the appraisal of real estate which will aid them in taking into consideration all factors of value which ought to be considered to the end that assessment may be placed upon a scientific basis instead of being based on haphazard guessing. For structures on platted land the appraisal card requires that the cubical contents be found, and that the character of construction, materials used, finish, and other structural elements be taken into

consideration to reflect a present reconstruction cost, from which deductions may be made for depreciation, obsolescence and other elements affecting value. For agricultural land the appraisal card requires a system of classification similar to the system suggested in the Wisconsin Assessors' Manual, already described. The commission has reminded the assessors that the appraisal card requires them to do only what the law has assumed that they should have been doing in past years, and represents, therefore, nothing new, provided they have done their work well in the past. It points out, also, that the appraisal card is not a substitute for judgment, but an aid to judgment.

In concluding this brief discussion of the Minnesota system of state supervision of local assessment, we may add that its efficiency is the result of a number of factors, including freedom from political influence, close contact of the commission with local assessors, the commission's extensive powers of equalization, its use of experts, including engineers, geologists, and economists, in the work of valuation, and finally its power to order reassessments, and its courage and readiness to use this power when it sees the need.

State Supervision in Michigan

During a period in which dissatisfaction with the general property tax is widespread, it is interesting to note the following quotation from the 1927-28 report of the Michigan Tax Commission:

> "Taxpayers have become reasonably familiar with the General Property Tax, and until such time as it fails to produce revenue sufficient to insure payment of annual current expenses, it is not believed advisable to depart from this system.
>
> "It is not claimed by its advocates that the present system is by any means perfect in its practical application. It is, however, believed that the present assessment of property methods can be so improved as to make the General Property Tax far superior to any other method of taxation which might be applicable to Michigan."

The commission then proceeds to point out the main defects in the methods of assessment, and to propose methods of reform substantially as follows:

The initial assessment is by township, ward, or city assessors, and is reviewed by local boards of review. County taxes are apportioned by the county board of equalization and, as a rule, the

values of the local tax districts are adjusted to a considerable degree in accordance with expediency and the opinion of the different members of the boards. State taxes in turn are apportioned on the basis of still another equalized valuation determined by the state board of equalization composed of the three tax commissioners, the head of the Bureau of Agriculture and the Auditor General, and these values differ materially from the county equalized values, and the local assessed values. Still another variation in assessed values is found in the values computed by certain village assessors for local purposes only. The result is a system of four different valuations on all of which taxes are levied for different purposes.

The tax commission, while given jurisdiction over the work of local assessing officers and boards of review, can not perform its work of supervision over the 1,700 assessing officers in an effective way because it has only a few more than twenty examiners and is limited in its powers to a review of valuations on complaints only. The commission urges, therefore, a more effective method of supervision which will result in one value only on the basis of which taxes may be levied with less discrimination than under the present system, and recommends that it be given power to enforce the following:

> "(a) The adoption by each local assessing officer of standard field plats and field books, in addition to the present tax rolls, in order to provide for proper descriptions and to separate the land and buildings and other improvement values in order to provide for an audit and equalization of the separate values.
>
> "(b) The reorganization of the force of the commission and the re-districting of the state in order to provide that the supervisors of each district will be under the control of a tax commission examiner, supervised by the commission, whose duties will consist in the furnishing of equalized values adjusted to conform to the special requirements of each district, to continuously audit and check the field books, plats and tax rolls and to assist the supervisors in the installation of a standard budget for the purpose of controlling expenditures.
>
> "(c) The addition by the commission of a small force of valuation engineers whose duties will consist in the compilation and the adjusting of standard values for land, buildings and other improvements, such values to be applicable to the special conditions existing in all parts of the state at all times. The district field examiners will forward descriptions and other necessary information on forms provided for the purpose to the valuation engineers at Lansing, whose duty it will be to compute

equalized values to be applied to the land and buildings, etc., on the field books, the total of each value to be posted to the tax rolls by the assessing officers.

"(d) The extending of the term of assessing officers to three years."

The commission expresses the belief that under this plan the assessed values of the whole state would within a few years be standardized and as a consequence be also equalized. There would then be very little practical necessity for the existence of the various boards of review and equalization, and there would be ample provision for the instruction and supervision of the newly elected assessing officers. It may be observed that the reforms proposed by the Michigan commission would provide a system somewhat similar in various respects to the Wisconsin system now in operation, as described in an earlier section.

The Tax System of New York

Having now discussed at some length the methods of state supervision of local assessment in Wisconsin, and more briefly the system of Minnesota, and the proposed reforms in the Michigan system, we may turn to a brief consideration of some points of particular interest in the tax administration systems of a few other states, and more particularly in the systems of New York and Massachusetts.

Although the State of New York has developed various other important sources of taxation, including the inheritance tax, the income tax, the stock transfer tax, and the motor vehicles registration tax, nevertheless, a modified general property tax is still relied upon as the main source of revenue for local purposes, and contributed, in 1928, $21,000,000 to state revenue. In 1928, out of a total tax revenue of $968,000,000 raised by state and local governments, $717,000,000 was raised by the general property tax. Intangibles and a large part of tangible personal property are exempt from the general property tax, so that it has become practically a tax on real estate only. The practical elimination of personal property from the property tax roll has simplified enormously the work of assessment.

In New York, as in other states where the property tax is applied, the tendency to underassess is very strong, and in order to distribute the burden of the direct state tax among the counties in

accordance with the actual relative values of taxable property in the several counties, an equalization table is developed annually by the state tax commission. The equalization table purports to show the ratio of assessed valuation in each county, city, and town in the state, to the actual value in the various tax districts. The actual values arrived at by the commission are, however, themselves in some measure understatements, so that the figures showing the ratio of assessed to full value, some of which are quoted below, are somewhat overstated. The tax commission has used sales data in supporting its equalization table. In a very large proportion of all its cases of sales in the period from 1920 to 1926 it developed the true consideration from the federal stamps attached to the deeds. But the federal stamp tax was repealed in 1926 and the commission states that since then it has had no adequate means of determining ratios of assessed to full values. Aside from the federal stamp tax the commission has depended for its information on the true consideration in the deed and mortgage, but both of these sources combined were used in only 41,000 cases during the period 1920-1926 as compared with the use of the stamp tax in 70,000 cases during the same period.[1]

For the state as a whole the ratio of assessed to full value has been uniformly high for many years ranging from a low of 82% to a high of 89% during the period from 1908 to 1929. For the year 1929, the figure was 83%. This seems to be an excellent showing. But more detailed examination of the figures leads to less optimistic conclusions concerning the effectiveness of the assessment. In the various counties the ratios of assessed to full value ranged in 1929 from a high of 95% in two counties to a low of 33% in one. Relatively few counties have a ratio of assessed to full value near the average for the state. The average in this case is certainly deceptive.

The tax commission in its report expresses the opinion that it is reasonable to suppose that there are as great differences between towns within the counties and between individuals as there are between counties in the ratio of assessed to full value, and that great injustice not corrected by state equalization thus arises in the collection of the heavy local taxes. Tens of millions of dollars in the aggregate are paid by some taxpayers which should justly be paid by others. This great injustice could be cleared away by assessment of all taxable property at full value.

[1]New York State Tax Commission, *Report*, 1928, p. 101.

A member of the staff of the tax commission has recently been engaged on a study concerning the possibility and advisability of employing state aid to encourage local units of government to assess real estate at full value, in a way similar to the method employed by the federal government to stimulate by federal aid forest fire prevention, agricultural extension work, vocational education and road construction. Just as the federal government advances funds to the states on condition that they fulfill certain requirements, so it is suggested that the grant of state funds to the localities be made only on the condition that certain standards of assessment of real estate have been attained. How powerful an influence such a use of state aid might be is indicated by the fact that the state distributed among the counties in 1928 the sum of $138,000,000, representing mainly revenue derived from the income tax, the business corporation tax, motor vehicle license tax, and the mortgage tax. The distribution of income tax revenues to the local jurisdictions is already on the basis of assessed values of property in the respective taxing units. See Chapter X, Table X—20 and discussion of distribution of proceeds.

Debt and Tax Limitation in New York

In as much as New York has had considerable experience with debt and tax limitation by constitutional clauses, it is interesting to note briefly the opinion of the tax commission on these matters. As to debt limitation, the general provision in New York is a limitation of debts to 10% of the assessed real estate valuations, excluding from the limitation certain debts incurred by investments in self-sustaining enterprises, such as water works. Many modifications have had to be made in practice and the whole system of debt limitation has become involved and difficult to apply. Nevertheless the commission approves of debt limitation in principle, on the ground that thereby local units are prevented from contracting debts which they are unable to pay, and from thus indirectly throwing burdens on other units through injuring their credit.

In respect to tax limitation, however, the commission concludes that there is little economic or moral justification for it. The New York constitution limits the tax rates of six counties and of seven cities. As to the counties, the limit is so high that it is superfluous, the county tax rates not coming anywhere near the limit. As to the cities the tax limitation has tended to keep down the tax rate, but has hampered the cities in expanding their functions of government to meet the growing needs of the citizens. In some measure the limitation has been voided by financial expedients which have actually increased the burden of taxation.

Since in New York the general property tax is practically a tax on real estate, tax limitation there is in effect a tax limit on real estate. It therefore protects the real estate owners, whose property is fixed and cannot escape from the jurisdiction of the tax levying district, when additional taxes are believed to be necessary and no other convenient source is available. When there is a tendency to levy confiscatory taxes on real estate it would seem that a tax limit might serve a useful purpose, not necessarily in limiting the amount of revenue to be raised, but in bringing forcibly to the attention of the people the need for other sources of revenue. In general, economic theory would tend to justify heavy taxation of land, separate from improvements, when land values are rising by reason of increase in population and growth of industry. Under these conditions the land owner's rising income from his land results in an increased valuation of his land, and in the unearned increment stressed by the single taxers. When, however, land taxes increase in amount sufficiently to more than offset the increase in land income, they are taking not an unearned increment from the land owner, but part of the value of the land, for which, if he is a recent buyer, he has paid.

While the tax limitation may in some cases serve a useful purpose, it has not generally worked well in practice and, as in Ohio where it was applied, has tended to substitute borrowing for taxation, or a worse method for a better method of obtaining public funds. This is not, however, an argument against submitting specially heavy levies to reasonable referenda.

Special Points of Interest in the Massachusetts System

Despite the fact that Massachusetts has developed an income tax, a business corporation tax, an inheritance tax, and other taxes of various kinds, the locally assessed tax on real estate and tangible personal property amounted in round numbers in 1929, to $205,000,000 out of a total direct tax burden of $289,000,000, or 71% of the total. This $205,000,000 does not include the locally assessed tax on motor vehicles, amounting in 1929 to $10,363,000.

Intangible personal property, it should be noted, is exempt from the general property tax in Massachusetts, and is reached by a tax on income derived from intangibles.

A relatively high ratio of assessed to full value is obtained by the method used in levying the state tax and in distributing state collected funds among the local tax districts.

> "All of the income tax and varying but substantial proportions of other state taxes are distributed locally. The basis of this local distribution of the state administered taxes is the same as that on which the cities and towns contribute to the state under what is known in Massachusetts as the 'State tax'. After the legislature has determined the aggregate of expenditures, as indicated by the appropriation acts, and after the estimated yield of all other sources of state revenue has been ascertained, a deficiency bill is enacted, providing for the levy upon the cities and towns of a tax sufficient to cover this deficiency in the state revenue and to balance the state budget. The state tax is collected from the cities and towns on a composite base consisting of property and polls, the assessments of which are equalized by the tax commissioner once in three years."[1]

The point to emphasize here is that since the funds distributed by the state to the localities are distributed on the basis of the same valuation on which state taxes are levied, it becomes easier to obtain a full valuation of property in the local assessment than would otherwise be the case. Incidentally we may note another advantage of the system of give and take between the state and the localities: it removes an element of inflexibility in revenues of state and local governments which ordinarily tends to accompany a large measure of separation of state and local taxation.

Another interesting detail in the Massachusetts system is the method of assessing motor vehicles under the motor vehicle excise tax law of 1928. The commissioner receives records of the registration of about 900,000 vehicles, which are sorted out and sent to the particular boards of assessors in the towns and cities entitled to lay the excise. A book of values has been prepared and furnished to the assessors, from which may be determined the value of each vehicle to be taxed. This excise tax and the method used in applying it take the place of the personal property tax on motor vehicles in effect prior to 1928. The receipts from this tax in 1929 were $10,363,000, almost twice the sum realized when motor vehicles were subject to the general property tax. It would seem that a similar method might be applied with advantage in West Virginia, where only half the cars registered are assessed by local officials, and the average valuation of this half was only $185 in 1929. (See Chapter V, p. 109, footnote; also, Table XIV6.)

[1]Lutz, H. L., *Public Finance*, 1929, pp. 553-54; from *General Laws of Massachusetts*, Chap. 58, Sections 9, 10.

Two Features of the Maryland System

Maryland has a system of motor vehicle taxation with the aid of the tax commission similar to the Massachusetts system just described. With the cooperation of the Commissioner of Motor Vehicles the tax commission has been enabled to place in the hands of the supervisors of assessment for the various counties a comprehensive list of all owners of motor vehicles, showing the post office address, make of car, and date of manufacture.

Another point of special interest in the Maryland system is that the supervisors of assessment are appointed by the state tax commission, one for each county and one for Baltimore, each being selected from a list of five persons submitted by the county commissioners. Their duties include the general supervision over assessments by the county assessors, and appealing to the tax commission when they think proper from any action of the county commissioners in assessing, reducing or increasing any assessment or in refusing to assess, reduce, or increase any assessment. The supervisors serve during good behavior and are removable at any time by the tax commission for incompetency or cause. They thus serve as a direct link between the tax commissioner and the local assessment officials. The low salaries paid to these supervisors, ranging from $600 to $2,400, tend to throw considerable doubt upon the efficiency of the system.

Some General Conclusions on Tax Reform

In Chapters VI-VIII three methods of modifying or reforming the general property tax have been considered, and on the basis of facts and principles presented some general conclusions concerning the value of the three methods of reform may be drawn. Separation of sources of state and local taxation marked a step forward in effective tax administration, but by itself alone could not transform the general property tax into a good system of taxation. It accomplished much good by encouraging the development of other taxes to supplement the general property tax, and by permitting the administration of the new taxes to be placed in the hands of the state government. By removing the state levy from the general property tax it reduced somewhat the incentive for undervaluation in local assessment, and it abolished that particular type of inequality in the payment of state taxes arising from different ratios of assessment to full value in the various counties of the state.

On the other hand, separation has tended to give rise to other evils, including inflexibility of state revenue, discrimination in the rate of taxation between property taxed by the state and property taxed by the localities, and relaxation of state control over local tax administration.

Classification of property for taxation, the second method of tax reform discussed, also represents a step forward in effective tax administration, but the question may be raised whether it does not represent a step obliquely forward rather than directly forward. The essential feature of most classification schemes is the low rate taxation of intangibles. As contrasted with taxation of intangibles under the general property tax rate, low rate taxation is a great improvement. Serious consideration should, however, be given to the question of whether it would not be better to exempt intangibles, with some exceptions, from property taxation altogether and to reach the taxpaying ability they represent by a general income tax or by special taxes on corporations, or both. With intangibles exempt and a liberal exemption granted on household furnishings, there would be little need for classification. Income taxes, or excise taxes measured by net income, would reach the special tax paying ability arising from the ownership of intangibles, business property, oil and gas. As mentioned in Chapter VII, there are some special reasons for reasonable yield taxes, rather than ordinary property taxes, on forests, oil and gas.

While the experience of various states with low rate taxes on intangibles indicates that assessment of intangibles increases substantially under low rate taxes, it also indicates that by no means all intangibles are reached by the low rate taxes, even under the most favorable circumstances. Collection of information at the source in respect to ownership of intangibles, and in some cases the tax itself, seems to represent the best means of obtaining fairly complete assessment.

Whatever good may result from the devices of separation and classification, the most effective method of improving the tax system of any state is the systematic state supervision over local tax administration. So relatively heavy is the burden of locally assessed taxes that when the local administration is poor, the whole tax system is poor; and good local administration seems to be impossible without state supervision—supervision which aids and assists the local tax officials, and at the same time brings pressure to bear upon them to do their work well. Such helpful and effective state

supervision is, perhaps, seen at its best in such states as Wisconsin and Minnesota, but many other states also can offer suggestions.

As indicated above, some changes should be made in West Virginia laws to give the Tax Commissioner more ample power to supervise the entire state assessment, but by far the greatest need is a genuine appreciation of the tax situation of the State by all the people to the end that there may be developed a public opinion that will uphold the Tax Commissioner and the county assessors in carrying out the law. But the system has gotten into such a rut, years of tradition have entrenched bad practices and injustices so firmly, that only by heroic effort can it be lifted out of the mire and set upon a firm foundation. This firm foundation might be secured by a thorough state wide reassessment. Authorization of such a revaluation should be accompanied by proper provision to maintain equally good assessments thereafter. Other states have met this problem. West Virginia herself, a quarter of a century ago, set a good precedent for what should be done now. But this time she should go a little further and provide for the maintenance of the good foundation when once set up.

As pointed out in Chapter I, the increasing expenditures of state and local governments have put heavier burdens upon the general property tax than it can well bear, especially where poorly administered. Most progressive states have sought to provide for the increased services of government along two main lines or methods: (1) by improving the administration of the most important tax, that on general property, and (2) by developing supplementary sources of revenue that serve to relieve property of part of the additional expenditures. As mentioned above, the last three chapters have discussed methods of improving property tax administration. The next four chapters will be devoted to consideration of important supplementary taxes.

Chapter IX

SALES TAXES

Some Characteristics of Sales Taxes

A SALES TAX, in its narrowest sense, is a tax laid on the sale or transfer of commodities or properties. This definition has important limitations, however, since the term as used in the statutes of the different governments includes a series of taxes rather than a specific source of public revenue. Included in the series are: (1) excise taxes, (2) production taxes, (3) severance taxes, (4) taxes on privilege, (5) general sales taxes, (6) special sales taxes, and (7) luxury sales taxes.

The first of this group, the *excise*, has no very definite or exact meaning. One tax authority has disposed of it with the statement that "If a tax is not a property tax or a capitation tax, it is properly classified as an excise tax."[1] It is a tax levied "on the manufacture, sale or consumption of commodities within the country, on licenses to pursue certain occupations, and on corporate privileges."[2] It is, therefore, a term rather loosely used and may include all the taxes listed above. In America the tax is usually thought of as a tax on consumption, while a narrower meaning often given it limits it to a tax on consumer's goods with the idea of regulating the consumption of the commodities taxed, as the federal excise on whiskey, tobacco, and playing cards. The courts have given the term a much broader meaning than either definition, however, including within its scope even the federal corporation and capital stock taxes.[3] A *production* tax is a tax on manufacturers' and other producers' goods. It may take the form of a tax on products in their natural or "raw" state, such as iron ore. It is also levied on goods of manufacturers, canners, etc., who manufacture or "process" commodities for sale. A *severance* tax is a tax levied on businesses engaged in "severing" from the soil natural resources, such as coal, oil, lumber, and ore. It is also called a "depletion" tax, since by the very nature of things such businesses tend to exhaust these natural resources. If the tax is levied on the unit of the commodity, barrel of oil or ton of coal, without reference to the market price of these commodities, as in

[1]Cooley, T. M., *The Law of Taxation*, 1924, p. 125.
[2]Cooley, T. M., *Constitutional Limitations*, 1903, p. 680.
[3]Lutz, H. L., *Public Finance*, 1929, p. 501.

Arkansas, it bears little resemblance to a sales tax. If, however, the "measure" of the tax is the value of the commodity when offered for sale the tax has some of the characteristics of a sales tax.

A number of taxes are levied as *privilege* taxes which, because of their economic effects, may be placed in different classifications. Such a tax levied at a flat rate on all businesses or occupations without reference to the gross business or net income of such businesses is a very different tax from one that is graduated according to these criteria. Simply stated, a privilege tax is levied on persons and corporations for the right or "privilege" of engaging in certain occupations or businesses under the protection of the government granting the privilege. The privilege of one corporation may be very much greater than that of another if measured by the "size" of the two corporations. If the tax is graduated according to the capital stock it may be referred to as a "capital stock" tax. Again, if the privilege is measured by the volume of business and the tax graduated according to the net income, the tax is an income tax. Such a privilege tax may be classed as a sales tax if the tax is measured by the gross business or turnover during the tax period, no account being taken of the "net" profits of the business taxed.

General Sales Taxes

"The characteristic of a general sales or turnover tax is that it attaches, directly or indirectly, to all commodity and property sales in a prescribed general class or classes, such as sales at retail, sales at wholesale, manufacturers' sales, and so forth. Consequently, except for special exemptions and discriminations, it extends uniformly to all commodities and property entering into sales transactions."[1] It will be seen from this description that it is, in reality, not one tax but a series of taxes. "The general sales or turnover tax is not a distinct and single form; it is a classification under which several individual and differentiated taxes have been drawn together and grouped on the basis of certain common features and similarities."[1] They may be divided into two classes: (1) multiple turnover taxes and (2) single turnover taxes. If the tax is levied on several or all transfers or stages in the economic process, that is, on each stage from the raw materials that are used in the manufacture of the article through each transfer till it reaches the consumer, it is a multiple turnover tax. A single turnover tax is levied on only one of the stages through which the

[1]National Industrial Conference Board, *General Sales or Turnover Taxation*, 1929, p. 1.

commodity travels, as in the case of a manufacturers' tax or retail sales tax. A multiple turnover tax, therefore, may include a severance tax, a manufacturers' tax, a tax on sales at wholesale, on retail sales, and many others, depending on the number of economic stages through which the commodity passes in reaching the consumer.

Special Sales Taxes

Special sales taxes are levied on one or more designated commodities as, for example, gasoline. This form of taxation is discussed in Chapter XII. What are luxuries and therefore what constitutes a *luxury sales* tax are questions on which legislators and people in general differ. To answer the question it would be necessary to have an agreement on what constitutes the necessities of life. If the question is answered by including food, clothing, and shelter only, then a tax on automobile and radio sales would constitute a luxury sales tax. The important point to be kept in mind is that such taxes are often levied to offset the economic inequalities of the general sales taxes. If general sales taxes are in fact passed on by the manufacturer and dealer to the consumer in the form of increases in the prices of the commodities, then such taxes bear with undue weight upon the lower income classes of society, since a greater per cent of the income of these classes is used in procuring the necessities of life than is the case with the more wealthy. General sales taxes, according to this assumption, violate the principle that taxes should be graduated according to ability to pay. The luxury sales tax, in some degree at least, operates to distribute the tax burden according to this principle.

Present Importance of the Sales Tax

The sales tax is by no means a new tax, though the more or less widespread use of this means of procuring public revenues is very recent, having developed greatly during and since the World War. Such taxes were resorted to occasionally by the governments of Rome and there are some instances in the history of France and Spain. Except in the case of the hated Alcavala in Spain, which was a tax of 5% to 20% of selling prices, most of the heavy sales taxes were regarded as temporary relief measures and soon abandoned.

The World War gave rise to so many revenue difficulties that most European governments have turned to sales taxes as a way out of their almost insuperable tax problems. In the United States the Federal government during the Civil War levied a comprehensive tax on manufactured goods but the attempt to supplement it with a general sales tax met with defeat.[1] Many sales taxes, especially on "luxuries," were adopted during the late World War also, but nearly all of them have been repealed.

The West Virginia Sales Taxes

The Legislature of 1921 passed the first sales tax law, called a gross sales tax, as a substitute for the excise taxes imposed on corporations in 1915 and 1917. Whereas the old excise tax applied only to incorporated businesses, the gross sales tax reached partnerships, associations, and nearly all private business and professional enterprises. The fundamental economic difference between the two taxes is that the old tax on corporations was based on net income while the 1921 tax was levied on "gross" receipts, or production, without deductions for operating expenses or losses. An exemption of the first $10,000 was allowed all enterprises under the new law.[2]

The classifications of businesses and enterprises, the rates imposed in each class, and the amounts collected for the tax year 1923-24 are shown in the following table:

Table IX—1: Collections from Gross Sales Tax, 1923-24[3]

Classes	Rate of Tax per $100.00	Amount Collected	% of Total
Coal Production	$ .40	$1,093,782.87	35.8
Oil and Gas	.40	221,621.07	7.2
Clay, Sand, etc	.40	24,170.15	.8
Total Natural Resources		$1,339,574.09	43.8
Manufacturing	.20	780,013.03	25.6
Sales not Wholesale	.20	586,755.98	19.2
Sales Wholesale	⅓ of 1%a	61,867.69	2.0
Banks and Public Utilities	.20	115,344.04	3.8
Other Businesses and Professions	.20	172,421.32	5.6
Totals	..	$3,055,976.15	100.0

a—Based on gross profits, not gross receipts, as under the present law.

[1] Seligman, Edwin R. A., *Studies in Public Finance*, 1925, pp. 124-131.
[2] West Virginia, *Acts of the Legislature*, 1921, Chapter 110, pp. 285-88.
[3] West Virginia State Tax Commissioner, *Twelfth Biennial Report*, 1927-28, p. xii.

It will be noted that the total amount realized from the sales tax in 1924 was more than three times as much as the $912,689 received from the excise tax on corporations during the tax year 1919-20. The increase of the tax burden on the different types of business enterprise over that imposed by the excise law was approximately as follows:

INCREASES IN TAX BURDENS [a]

Business of Concerns	% Increase of Tax Burden
Production (Extraction)	121
Manufacturing	135
Sales except Wholesale	260
Wholesale Sales	77
Banks and Public Utilities	52
Other Business and Professions	45

a—National Industrial Conference Board, *General Sales or Turnover Taxation*, p. 196.

The Legislature in 1925 amended the law by changing the rates on the different classes and by exempting professions and sales not carried on for profit. The schedules of rates under the original act and as amended in 1925 are given in Table IX—2.

TABLE IX—2: RATES OF GROSS SALES TAX, ACTS OF 1921 AND 1925 [b]

Classes	Rate per $100 Act of 1921	Rate per $1 00 Amended Act, 1925
Gross Value:		
Coal	$ .40	$ .42
Oil	.40	1.00
Gas	.40	1.85
Other Minerals	.40	.45
Timber	.00	.45
Manufacturers	.20	.21
Gross Income:		
Retailers	.20	.20
Wholesalers	⅓ of 1%c	.05
Banks	.20	.30
Steam R. R's. and Pipe Lines	.20	1.00
Telephone, Telegraph, Express, Electric Light and Power Companies	.20	.60
Street R. R's and Other Public Utilities	.20	.40
Contracting Business	.20	.30
Amusement Business	.20	1.00
All Other Businesses	.20	.30

b—West Virginia, *Acts of the Legislature*, First Extraordinary Session, 1925, Chap. 1, pp. 2-5; Governor Wm. G. Conley, Address on "Sales Tax" at Governors' Conference, Salt Lake City, Utah, June 30, 1930. (Mimeographed).
c—Based on gross profits, not gross receipts, as under the present law.

The total amounts collected by the State under the gross sales tax law since 1921, including the year which closed June 30, 1930, aggregate $28,179,558.37, the annual yield since 1925 being between 3½ and 4 million dollars. The different types of businesses and enterprises have contributed the following per cents of the total:

	%
Coal	30.07
Oil and Gas	11.77
Clay, Sand, etc	.83
Timber	.44
Total Extractive Production	43.11
Manufacturing	23.64
Sales Exclusive of Wholesale	16.53
Sales—Wholesale	2.16
Banks and Public Utilities	7.87
Other Businesses	6.69
	100.00

Using 1927, the most productive year of the tax, as a basis of comparison, the State collected $4,076,143.19 from the gross sales tax,[1] which represented 23.8% of the total collected in taxes for State purposes and 6.3% of the combined State and local revenue.

The following table shows the collections and cost of administration for each year that the tax has been in operation.

TABLE IX—3: ANNUAL COLLECTIONS AND COSTS OF COLLECTION GROSS SALES LICENSE TAXES

Year Ended	Net Collections	Cost of Collection	%
1922	$1,462,379.28	$56,720.81	3.88
1923	2,708,366.73	55,398.97	2.05
1924	3,055,976.15	44,157.23	1.45
1925	2,551,099.12	43,072.32	1.69
1926	3,159,152.82	45,096.23	1.43
1927	4,076,143.19	44,859.36	1.10
1928	3,805,078.02	43,001.51	1.13
1929	3,656,632.31	43,781.22	1.20
1930	3,704,730.75	43,574.03	1.18

[1]See footnote 1, p. 226.

"There is no difference in the cost of collection as between different businesses. There is, however, a difference in the cost of collection as between a large taxpayer and a small one; also between a voluntary taxpayer and a delinquent taxpayer. It is impossible, however, to reduce these differences in costs to figures, as there is only a small part of our costs which is direct, most of it consisting of auditing, clerical and other indirect costs."[1]

Sales Taxes in Other States

The Georgia General Sales Tax, 1929. The Georgia Legislature enacted a gross sales tax law, approved August 29, 1929, and effective October 1, which, in many of its provisions, is similar to the West Virginia law. The types of businesses taxed and the rate in each case are given below.

Table IX—4: Georgia Gross Sales Tax, 1929 [a]

Business	Amount of Tax	Measure of Tax
Manufacturers	½ of 1%	Gross value
Merchants:		
(1) Wholesalers	1%	Gross receipts
(2) Retailers	2%	Gross receipts
Utilities	3%	Gross receipts
Amusements	3%	Gross receipts
All others	2%	Gross receipts

a—Georgia, *Gross Receipts [General Sales] Tax Law of the State of Georgia.* (Pamphlet.)

During the first three quarters of the year that the tax has been in effect collections have been $916,000.[2] The law allows exemptions up to $30,000 of the gross receipts and the amount payable under the sales tax law is reduced in proportion to the amount due on account of the income tax during the year 1931. It is also a temporary measure since, by its provisions, it is made to expire December 31, 1931.

Administrative Features. Every person or firm subject to the provisions of the law "shall be deemed to have applied for and to have duly obtained from the State of Georgia a license to conduct such business." Returns and remittances of the amount due on account of the tax are made quarterly to the State Tax Commissioner. A State Tax Board is created by the statute to hear

[1]Letter from W. B. Calder, Chief of Gross Sales and Gasoline Tax Bureau, November 10, 1930.
[2]Norman, R. C., State Tax Commissioner, letter.

appeals from the decisions of the tax commissioner. Labor, agricultural, and similar associations are exempted from the provisions of the law.

The Kentucky Chain Store Law, 1930. On February 20, 1930, Kentucky passed a law which requires every retail merchant to pay an annual license tax based on gross sales as follows:

Table IX—5: Kentucky Gross Sales Tax, 1930

Gross Sales	Rate
0—$ 400,000	1/20 of 1%
$400,000— 500,000	2/20 of 1%
500,000— 600,000	5/20 of 1%
600,000— 700,000	8/20 of 1%
700,000— 800,000	11/20 of 1%
800,000— 900,000	14/20 of 1%
900,000— 1,000,000	17/20 of 1%
Over $1,000,000	1%

It is plainly a discriminatory tax since the first category will include most small retail merchants The law is the outgrowth of the campaign waged against chain stores during the winter of 1929-30. It is declared to be and is recognized as an emergency measure.

Mississippi has had a sales tax very similar to that of West Virginia since May 31, 1930, but experience under it is too limited to be of much value at this time.

The Pennsylvania Mercantile License Tax. This tax had its origin in a law of 1821 designed to tax the sales of dealers in foreign wares. In 1841 it was extended to all dealers and in 1899 it was codified (P. L. 184). Three rates are provided for: (1) a $2.00 annual license charge plus a 0.1% tax on "the whole volume, gross, of business transacted annually" of retailers; (2) a $5.00 annual license charge plus a 0.05% tax on the turnover of wholesalers; and (3) a 0.025% tax on exchange sales. In 1928 the state collected $4,269,000 from the tax, $3,280,000 of which came from retailers. The total amount collected represented 3.5% of all state revenues and approximately 0.9% of the revenues collected for both state and local purposes. The cost of collecting amounts to 8 to 11% of the tax. While it is designated a "license tax" it

has many characteristics of a general sales tax and has been the subject of controversy during recent years.[1]

Connecticut in 1921 levied a privilege tax on unincorporated manufacturing and mercantile concerns. The measure of the tax is the gross turnover of the taxed concerns attributable to Connecticut business, to be determined by the concern's real and tangible personal property located in the state. The rates of 0.1% on the gross income from manufacturing and retail business and 0.025% on wholesale merchandising yield between $500,000 and $600,000 per year. It is often referred to as a general sales tax. The provision, however, that in case of loss during the year a concern pays only the minimum tax of $5.00 might exclude it from this category of taxes. A similar tax levied by Delaware yields annually approximately $100,000.[2]

The Missouri Local Turnover Taxes. By an act of 1909 (Mo. Rev. Stat., 1909, No. 9857), the Legislature of Missouri permitted its municipalities to levy turnover taxes. St. Louis and Kansas City have taken advantage of the law, St. Louis by levying a tax of 0.1% on the turnover of manufacturers and merchants. The tax on manufacturers is measured by their total output, irrespective of destination; that on merchants, by their domestic sales. Kansas City has a very similar tax.

The Philippine Commodity Transfer Tax and the *Porto Rican Turnover Taxes* have some of the characteristics of a general sales tax. The Philippine tax of 1.5% on "the gross value of all goods, wares, and merchandise sold, bartered or exchanged for domestic consumption" includes also the services of telephone and telegraph companies, light, heat and power plants. The tax was first levied in 1921 and the present rate was fixed in 1925. The Porto Rican tax amounts to 2%. In both cases sales of commodities taxed under the liquor, tobacco and other excises are exempt.

Sales Taxes in Foreign Countries. The drain on the national treasury occasioned by the outbreak of the World War led Germany to impose a commodity transfer tax in 1916. The tax was based on an annual return of sales and amounted to 0.1%. The rate was raised during the war, its scope extended to practically all sales, and it was supplemented by a luxury sales tax of 10%.

[1]*Philadelphia Public Ledger,* April 20, 1921, cited in National Industrial Conference Board, *General Sales or Turnover Taxation,* p. 201. See also *Pennsylvania Progress,* September, 1930, p. 9.
[2]National Industrial Conference Board, *General Sales or Turnover Taxation,* pp. 202-03.

France followed the lead of Germany and in 1917 passed a retail sales tax law which imposed a 0.2% tax. A supplementary luxury tax of 10% was levied by the same law. Like the German example the tax was raised and its scope extended.

Among the countries that have enacted sales tax laws, other than Germany and France, are Belgium, 1926; Italy, 1923; Austria, 1922; Hungary, 1921; Czechoslovakia, 1919; Poland, 1923; Canada, 1920 and 1923; Bolivia, 1923; Brazil, 1922.[1]

The yield of these taxes in proportion to the totals of national tax collections in five countries for the years indicated were:[2]

Germany,	1923-24	37.4%
France	1926	21.2%
Belgium,	1928	23.9%
Austria,	1925	24.9%
Canada,	1923-24	29.6%

Consumption Excise Taxes Levied by the States

The constantly increasing burden on the states to maintain their institutions and increase their services has caused most of them to look for new sources of revenue. The surprising yield of the gasoline tax and the ease with which it is collected has suggested to the legislatures of several states a similar tax on other commodities. The movement in this direction followed very closely upon the adoption of the gasoline tax and while it has been confined to approximately one-fourth of the states it gains momentum each year and bids fair to occupy a more important place in the revenues of the states. It is already producing a large portion of the revenue collected in two or three. Cigarettes and cigars have so far furnished the bulk of the revenue from this source. The following table shows the commodities taxed in the states at present (1929)[3]

[1]National Industrial Conference Board, *General Sales or Turnover Taxation,* pp. 166-88.
[2]Ibid., p. 3.
[3]Some of Mr. Derrick's data appear to be preliminary and hence subject to some correction. For more recent data, see Table XIV—14, page 442, at the end of the General Appendix.

TABLE IX—6: CONSUMPTION EXCISES BY STATES [a]

State	Date Imposed	Commodities	Rate	Annual Yield	Cost of Collection
Alabama	1927	Cigars, Cigarettes	15% wholesale price	$1,300,000	7.3%
Arkansas	1925	Cigarettes	$2.00 per 1,000	1,052,818	
		Cigars	10% retail price		1.4%
		Malt	10% retail price	57,600	
Connecticut	1929	Admissions	½ federal tax	Repealed, 1924	
Georgia	1921	Cigars, Cigarettes	10% retail price	737,751	4.1%
Iowa	1923	Cigarettes	1 to 2 mills per cigarette	1,133,032	6.7%
Kansas	1921	Cigarettes	1 mill per cigarette	750,000	
Louisiana	1927	Tobacco Products	10% retail price	Repealed, 1928	
Michigan	1926	Cigarettes	1 mill per cigarette	Not yet in effect	
North Dakota	1929	Cigarettes	1½ to 2 mills per cigarette	332,695	
South Carolina	1925	Cigars, Cigarettes, Smoking Tobacco	1c for each 5c of retail price	1,812,139 (Playing Cards, Chewing Tobacco, Snuff included)	
		Ammunition	$4.00 per 1,000 rounds		
		Candy	10% retail price	373,390	
		Admission	10% retail price		
	1925	Chewing Tobacco and Snuff	1c for each 3 oz.		Less than 3%
		Soft Drinks	20% retail price	1,190,260	
		Ice Cream	20% retail price	Repealed	
		Cosmetics	20% retail price	Repealed 1926	
	1927	Cut Glass		Repealed, 1928	
		Playing Cards	10% retail price	Repealed, 1928	
		Sporting Goods		3,276,289[b]	
South Dakota	1923	Cigarettes	1½ to 4 mills per cigarette	337,710	
	1929	Malt	10% retail price		
Tennessee	1925	Tobacco Products	10% retail price	1,258,776	2%
Utah	1923	Cigarettes	1 to 2 mills per cigarette	120,000	8%

a—Derrick, S. M., "Consumption Excise Taxes as a Relief for the Tax Burden on Farm Property," *Proceedings, National Tax Association, 1929*, p. 274.

b—See Table IX—7, p. 210 and Table XIV—14, p. 442.

ADMINISTRATIVE FEATURES OF CONSUMPTION EXCISES

Simplicity of administration apparently has been an important factor in the adoption of this form of taxation where it is now used. The tax is collected through the sale of stamps in somewhat the same way as the federal excise tax on tobacco. The state agency charged with the administration of the law either sells the stamps directly or through "stamp deputies," usually banks or wholesale merchants. Inspectors are appointed to aid in enforcing the law. The fact that the proceeds of the tax go to the support of the public school system in several of the states has doubtless contributed to the popularity of the tax. It was unpopular enough, however, to cause its repeal in Louisiana where it was reported that considerable "bootlegging" in untaxed cigarettes occurred. Iowa, one of the first to adopt a cigarette tax law, receives approximately $1,300,000 annually from the tax, the proceeds of which are placed in the state general fund. A system of licensing dealers either by the state or municipalities is an adjunct of the law and serves as an additional source of revenue as well as an aid in its enforcement.

SOUTH CAROLINA'S EXPERIENCES

The experiences of South Carolina merit more than passing notice since that state has carried consumption taxes further than any other state. The rate imposed on cigars by the original law of 1923 ranged from $2.00 to $10.00 per 1,000; on cigarettes, $1.00 to $2.41 per 1,000; on smoking tobacco, 6 cents per pound; on ammunition, $2.00 per 1,000 rounds; on candy retailing for 80 cents or more per pound, 10%; on admissions, 10 %. Considerable annoyance was caused by the fractional stamps that were necessary and this feature was eliminated in 1924.

In 1925 the law was amended to include all soft drinks, ice cream, cosmetics, chewing tobacco and snuff. The tax was 20% on the first three articles named and on the last two, 1 cent for each three ounces. In 1926 the excises on milk drinks and cosmetics were dropped. The repeal of the tax on milk drinks and ice cream resulted from the belief that it was injuring the dairy industry. It was felt that the tax on cosmetics was being evaded by purchases outside the state.

In 1927 all the consumption excise laws were rewritten as one revenue measure. The tax on tobacco was increased approximately 5%; on ammunition, 100%; while a levy of 10% was imposed upon

playing cards, cut glass, and sporting goods. All the taxes were passed by narrow margins after bitter controversy. Minor amendments were made in 1928 and 1929.[1]

Collections from the sales taxes for the calendar years 1928 and 1929 are shown in the accompanying table.

TABLE IX—7: SOUTH CAROLINA SALES TAX RECEIPTS, 1928-29 [a]

Source	1928	1929
Business License (Tobacco Sales)	$1,812,140	$1,975,371
Documentary	342,771	314,464
Admissions	273,891	302,382
Soft Drinks (Fountains)	204,425	194,459
Bottled Drinks	985,836	1,046,245
Pool Rooms	8,250	8,974
Contractors	74,000	60,350
Chain Stores and Misc.	26 353	2 252
Totals	$3,727,666	$3,904,497

[a]—Statement of Receipts, South Carolina Tax Commission, 1928 and 1929. Odd cents have been disregarded. See Table XIV—14, p. 442.

SEVERANCE TAXES LEVIED BY STATES

Severance taxes, differing somewhat in form, are levied in Alabama, Arkansas, Louisiana, Kentucky, Minnesota, Montana, New Mexico, Oklahoma, and Texas. This is a special type of tax on the extraction of natural resources within the state. In most cases the tax is based on the gross market value of the material extracted or "severed" from the soil or water. The Louisiana law taxes oil and gas at 3% and all other natural resources at 2%.[2]

ARKANSAS SEVERANCE TAXES

Arkansas, by an act of 1923, taxes coal at 1 cent per ton, timber at 7 cents per M. feet, and manganese at 10 cents per ton. This act was amended in 1929 so as to include bauxite, clay, sand, gravel, oil, gas, stone products, "and all other natural products of the soil or water," on which is levied a tax of 2½% of "the gross cash market value of the total production."[3] The state collected from the tax $1,024,179 in 1927-28; $854,685 in 1928-29; and $788,816 in 1929-30. Of the above total the tax on timber amounted to

[1]South Carolina, *Statutes at Large*, 1923, No. 574.
[2]Louisiana, *Acts* passed by the State, 1922, No. 140. See Chapter VII, p. 154, for further brief discussion of some severance taxes.
[3]Arkansas, *Acts*, 1923, No. 118; 1929, No. 283.

$116,900, and on sand and gravel to $27,448, in the last year.[1] With the exception of coal, timber and manganese ore, the tax is based on the place where the same have been severed or taken from the soil or water, and in their unmanufactured state immediately after such severance."

Administrative Features of the Law

Producers are required to be licensed by and report monthly to the Commissioner of Revenues. No license fee is charged. The severance tax is in addition to the general property tax and is distributed, two-thirds to the common school fund of the state and one-third to the county from which the resources were severed.

THE MINNESOTA TAX ON IRON ORE

The tax levied by Minnesota on iron ore has special significance because of certain decisions rendered by the United States Supreme Court in passing on the constitutionality of the act levying the tax and also because of certain administrative features of the law. The law in question, called an "Occupation Tax Law," was passed in 1921 and imposes a tax of "6% of the valuation of all ores mined or produced" by persons "engaged in the business of mining or producing iron ore or other ores." The tax is in addition to the general property tax on mineral lands.

Administration of the Law

As a basis for determining the value of the ore the statute declared that the following items should be deducted from "the value of such ore *at the place where the same is brought to the surface of the earth*" and the tax computed according to the value after such deductions:

1. "Cost of supplies used and labor performed in separating the ore from the ore body."
2. Royalties paid.
3. A percentage of ad valorem tax proportioned according to the ratio that the ore mined bears to the total ore in the mine.

The method laid down in the statute for determining the "value" of the ore raised a series of questions which have been settled in a measure by the tax commission by taking the market price of

[1]Arkansas, Commissioner of Revenues, *Biennial Report*, 1928-30, p. 8.

the ore at Cleveland as a basis and deducting carrying charges and the items allowed by the statute in reference to the cost of operation of the mine. The "statutory" allowances for the cost of operation, ad valorem tax, royalties, etc., however, continue to give the commission considerable trouble.

A companion to the iron ore tax law was passed in 1923 and is known as the "Royalty Tax" law. Like the former, it is designated as a "business or occupation of mining" tax law and imposes a tax of 6% upon all royalty received annually by any person, "for permission to mine, take out and remove ore from land in this State." The ore tax is imposed on the "lessee" of mineral lands while the royalty tax is paid by the "lessor" of such lands.

Royalty, as defined in the law, is the "amount of money or value of property received by any person having any right, title or interest for permission to explore, mine and remove therefrom." Reports are required to be filed with the state tax commission by all persons receiving royalties and, likewise, by all persons paying them. This enables the commission to check the one against the other. Hearings are held and the decision of the commission is final.

Yield of the Ore and Royalty Taxes

During the years 1921-25 the ore taxed yielded a total of $16,981,534, or approximately $3,396,306 per year. The amount of the tax fluctuates considerably, depending upon ore prices and general business conditions. For the years 1923-25, inclusive, there was paid to the state on account of the royalty tax the sum of $2,768,744, or an average of $922,915 per year. During the same period there was paid in ad valorem taxes on mining property, both state and local, $93,559,109, or an average of $18,711,021 annually.[1]

Constitutional Questions Raised by the Ore Tax

The statute of 1921 imposed an occupation tax on the "business or occupation" of mining, the tax so imposed being in addition to all other taxes then provided by law. The constitutionality of the tax was attacked as a violation of the provisions of the 14th Amendment to the Federal Constitution. The United States Supreme Court in The Oliver Iron Mining Company v. Lord case[2] upheld the law in the following language: The tax "is what the statute calls it,

[1]Minnesota, *Report of State Tax Commission*, 1926, pp. 89-108. For additional data relative to these Minnesota taxes, see Chapter VII, pp. 152-57.
[2]262 U. S. 172 (1923).

an 'occupation tax' and not a property tax, since it is not laid on the land containing the ore, nor on the ore after removal, but on the business of mining the ore." In Lake Superior Consolidated Iron Mines, et al. v. Lord, et al.,[1] the Supreme Court upheld the royalty tax law, characterizing it as one "laying a tax upon interests in mineral lands from which permission has been given to extract ore upon payment of royalty" and, therefore, not discriminatory as between property in iron ore and other property not similarly taxed.

Economic Effects of Sales Taxes

Careful Analysis Required

Sales taxes are so various in character and are levied under such different conditions, that one has to use much discrimination and take into account many important but variable factors when determining the effects of each tax. Much depends upon whether the tax is uniform and generally applied, or whether it is not uniform and of narrow application. For example, it makes a great deal of difference whether a sales tax is applied throughout a large nation or only by a state or a city; whether it is applied to all commodities, necessities and luxuries alike, or whether there are differentiations between different classes, perhaps exemptions in some cases; whether it is applied to all retailers or to only part of them, or to wholesalers only; or whether it is applied to every sale of manufacurer and distributor every time a commodity changes hands in the process of production and distribution. The elasticities of demand and supply; production of different commodities under conditions of increasing, decreasing or constant costs; and competitive or monopolistic control of supply, are among the many other factors determining the effects of sales taxes.

General Sales Taxes Imposed by National Governments

Broadly speaking, a general sales tax imposed by a national government will be passed on in large part to consumers in the form of increased prices of the commodities and services taxed. The fewest exceptions to this statement will be found in a country relatively free from foreign competition by virtue of transportation costs, protective tariffs, or other causes.

[1]271 U. S. 577 (1926).

Marginal producers, including distributors, will in time become bankrupt if they cannot pass on the tax in higher prices. But higher prices usually reduce the quantity demanded, so that with the smaller quantity consumed, marginal producers are forced out in any case. For this smaller supply, the more efficient producers who remain in business can get a higher price, that is, the tax is shifted in whole or in part to the consumers. This means that consumers' incomes will purchase fewer goods than before, so there will be a readjustment in family budgets, a larger proportion of incomes probably going for necessities—probably more dollars for smaller total quantities—and a smaller proportion of income will be left for comforts, luxuries and savings.

These shifts in demand will affect commodity prices differently, even though all are taxed alike, because of variations in elasticities of demand and also in laws of cost affecting the supply of each.

Effect of Inelastic Demand

In the case of commodities, the demand for which is almost absolutely inelastic, that is, where practically the same quantity is consumed regardless of the addition of the tax to former prices, prices will tend to be raised by exactly the amount of the tax. That is, in such cases, the entire tax will fall upon the consumer and none upon the producer.

Constant Costs

Much the same is true of commodities produced under conditions of constant cost, even if demand is elastic, because if the quantity consumed falls off, due to higher price where tax is added, the smaller quantity produced still costs the same per unit, and producers must add the tax or become bankrupt in time, competition being assumed.

Elastic Demand

But the shifting of the tax is somewhat different under elastic demand in cases of commodities that are produced at either increasing costs or decreasing costs per unit, still assuming competition.

Increasing Costs

In the case of an increasing cost commodity, that is, where greater production results in larger costs per unit of output, or

falling production results in lower costs of marginal units, a reduced consumption may cause the tax to fall in part upon producers. When producers try to add all of the tax, consumption is reduced. This lowers marginal costs. The tax added to such lower costs results in prices somewhat lower than the former price plus the tax. How much the new price will be less than the old price plus the tax depends upon how much the reduced consumption—and hence reduced production—lowers marginal costs. The amount of this reduction in marginal costs determines how many marginal and near marginal producers are put out of business, also how much of the tax is shifted on to more efficient producers that are able to continue, and by how much consumers escape the full burden of the tax.

It is generally agreed that many agricultural and mineral products follow the law of increasing cost, at least, in certain stages. That is, reduced consumption causes the elimination or abandonment of the poorer lands and mines, and results in lower marginal unit costs. Of course, if production is under complete or partial monopoly control, so that output is reduced even more than consumption, prices might be raised. But so long as competition is free, production will be maintained up to the point where the most expensively produced unit (marginal unit) can be sold without loss, that is, at no profit at all above ordinary wages, interest and other costs.

Decreasing Costs

A still different result follows a tax upon commodities produced under conditions of decreasing cost, that is, where greater production results in lower unit costs, elastic demand and competition still being assumed. In this case, the addition of a tax to the former price causes falling consumption and raises unit costs, so that the tax has to be added to a still higher basic cost. This means that consumers are having to pay prices increased by more than the amount of the tax. They probably think that producers are pocketing the extra but as a matter of fact, producers' costs are raised.

The Effect of Monopoly Control

The foregoing analysis will have to be modified somewhat where complete or partial monopoly prevails. Contrary to popular opinion, however, there is likely to be less shifting of taxes levied upon monopoly controlled commodities than where the taxes are

levied on goods produced and sold under free competition. This is true because under free competition, selling prices approximate the costs of the least efficient (marginal) producers who cannot absorb the tax indefinitely, even if they want to. They are unlike monopolists who normally hold prices above costs and can absorb a tax if it will pay them to do so. A rise in price occasioned by a tax eliminates the least efficient competitors in time, through bankruptcy or otherwise. The supply is thereby lessened and prices are raised as explained in the preceding paragraphs.

Normal Monopoly Price

But under monopoly, the price is not fixed at cost; if it were, there would be little point in having a monopoly; rather the supply is kept down low enough so that a price higher than cost can be maintained. That is, a monopolist may absorb a tax if it pays him to do so. Normally a monopoly price is not the highest that can be secured, but the one which permits the monopolist to secure the maximum total profit when profit per unit is multiplied by the number of units that can be sold at the price chosen. Of course, monopolists have to experiment to determine most profitable prices and they sometimes make mistakes. It should be kept in mind, also, that they cannot maintain normal monopoly prices except by control of supply. If they offer for sale the same amount that would be offered under competitive supply, they will have to take competitive prices.

Will It Pay Monopolist to Shift the Tax or Absorb It?

But let us assume that a normal monopoly price is being charged and a new tax is then added. By assumption, the monopolist was making the maximum profit possible before the tax was levied. If he makes any change in price because of the tax it will reduce his profits, and if he makes no change, he will have to absorb the whole tax, which will also mean lower profits. If he makes any change in price, he will have to do it by changing output. Whether he will make such a change and how great the change will be will depend upon his calculations of the way demand and costs of production will be affected by the change. That is, any change will occasion a loss; and no change will also occasion a loss. His problem is to determine how to minimize his loss. It may be that he will lose more than the tax through reduced sales if he raises the price or he may discover a point of minimum loss by a slight

raising of price that puts only part of the tax on consumers. The conditions most likely to cause him to absorb the entire tax, or most of it, are a very elastic demand and a unit cost increasing rapidly as output is reduced.

Regressive Nature of General Sales Taxes

It will be noted that under both competition and monopoly, the less elastic the demand the greater the proportion of the tax that can be shifted by producers upon consumers. The demand for necessities is usually less elastic than that for luxuries, hence, taxes on necessities fall in larger proportion upon consumers than do taxes upon luxuries. In as much as the lower-income classes spend a larger proportion of their incomes upon necessities than do the higher-income classes, a general sales tax takes a larger proportion of their smaller incomes. This is reversing the usually recognized income tax principle of graduation whereby larger incomes pay higher rates than small incomes.

In cases where most taxes of a system fall unduly heavily on the richer classes, the addition of a general sales tax might tend to counterbalance the inequity. This might be the situation where all revenues were raised by heavily graduated income taxes having unduly high exemptions. But this is certainly not the situation in most states where the bulk of revenues come from general property taxes that bear most heavily upon small property owners. In such cases, the addition of a general sales tax usually adds to the existing injustice.

How to Counterbalance Inequities—Luxury Taxes

Two methods are often used to avoid the regressive nature of general sales taxes: (1) foods and other necessities are exempted, or subjected to lower rates, and/or (2) special taxes heavier than the average are levied upon luxuries. Sometimes many luxuries are taxed, sometimes only a few. These modifications take away the *general* character of the sales tax, making it a set of special sales taxes. Unless these modifications are carefully made, administration will be much complicated. In particular, it has been found very difficult to tax luxuries generally, because of the difficulty of defining luxuries. Furthermore, it has been estimated that a larger proportion of small incomes than of large incomes is spent upon such things as tobacco, silk stockings, radios, and

automobiles. These may be luxuries and special taxes upon them may be justified, but special taxes on them alone do not help much in reducing the proportion levied upon the small-income classes.

If it is thought best to levy luxury taxes, administration will be much simplified if only one or two, or at least a very few, luxuries of general consumption are selected, rather than many items, or luxuries in general. In so far as possible, it is simplest to levy such taxes at the point of production, or wholesale distribution, but the licensing of retail sales is almost always necessary. This adds to the difficulties of administration, of course. Experience shows that in any case, a very few items yield the bulk of the revenue obtained from such taxes. The taxing of many small items leads to the popular aversion to "nuisance" taxes, many of which are difficult to administer and not very fruitful either. Probably cigarettes have formed the basis of the most productive and practical of such luxury taxes, though they do little to make taxes less regressive.

Some might classify gasoline taxes as luxury taxes. They are certainly very productive and cheaply administered but they have special justification in that their proceeds are usually almost entirely spent for special services benefitting the payers, and most of the payers favor them.

Special Taxes on Prime Necessities

The reverse of special taxes on luxuries is seen in the special taxes on salt, sometimes on sugar, in some Asiatic and European countries. Heavy import duties levied for protection have similar effects. No one claims that they are equitable but in as much as they fall on necessities of mass consumption, they have a wide "spread," can be administered cheaply and can be made to yield large and stable revenues. The fact that they fall with undue hardship upon the low-income classes is counterbalanced by their yields and ease of collection in the eyes of needy governments that feel they cannot be too squeamish about equity.

The proposed tax upon the sale of electricity at the rate of one cent per kilowatt hour would be another special tax upon a prime necessity in this country and would enter into the cost of practically every commodity in addition to affecting the cost of current used for domestic purposes. No doubt such a tax could be made to raise substantial revenue and the cost of collection should be low, but instead of offsetting the regressiveness of existing taxes

in West Virginia, it would work the other way. It is difficult to see how sincere friends of the masses could advocate it.

Standard Prices Delay Shifting

Perhaps an exception, or apparent exception, to the shifting of sales taxes should be noted. A great many articles are sold at standard prices, or at round figures, such as five cents, ten cents, twenty-five cents, etc. It is not likely that a very small tax, such as one-tenth or one-fifth of one per cent will be added in each case. Rather, it will be absorbed by the producer or dealer. If the tax is quite large, however, there will be more tendency to pass it on. This argument is probably over-worked and applies more to the short run than to the long run. Usually even a small tax is likely to be shifted in time by reductions in quantities or qualities sold at standard prices. Furthermore, market changes may have been such that dealers were almost on the verge of advancing prices before the tax was levied. A one-cent tax may then be the occasion for a two or five-cent advance in price. In time there may be almost as many shifts of more than the tax as there are absorptions of the tax.

Large Capital Investment Delays Shifting

There is another more important short time absorption of such taxes due to heavy capital investment and other factors which make for large fixed costs. In the cases of those concerns which are eventually forced out of business because of the tax, many may continue producing long after the time when they begin to lose money. Their fixed costs continue for a time whether they operate or not. So long as they can cover more than operating costs, even though they can cover only a part of fixed costs, they will lose less to continue than to quit. So long as their output maintains the former supply, prices will not rise as they will after the supply is reduced. The lighter the tax, the fewer will be the concerns forced out and the longer will the others hold on, but in the end, every tax, light or heavy, tends to exert its due pressure.

Multiple Sales Taxes

The principles set forth in the few preceding pages apply not only to single turnover taxes, but also to multiple sales taxes. If, however, a multiple sales tax is levied, price increases normally

occur on each turnover. The tax is "pyramided" and the price raised, the amount depending on the number of stages through which the commodity passes in reaching the consumer. According to one authority the average number of turnovers in the United States is as follows: granulated sugar, four turnovers; bread, three; beef, three; a $60 suit of clothes, six; an $8 pair of overalls and jacket, five; taffeta silk at $2.25 per yard, four.[1] The effect of such a tax, assuming that it is shifted in all cases, will be that a comparatively heavier burden is carried by the poorer classes. This is illustrated by the following comparison of the distribution of expenditures made from a $20,000 income and from a $2,000 income, as they would be burdened by a 3% single turnover tax on retail sales; the difference being greater by the number of turnovers in a multiple sales tax:

	$20,000 Income	Tax	$2000 Income	Tax *a*
Food	$2,000	$ 60	$ 720	$21.60
Clothing	1,600	48	500	15.00
Rent, etc	3,000	90	600	18.00
Auto	1,500	15	..	..
Miscellaneous	3,500	145	180	5.40
Nontaxed	8,400	..	..	..
Total	$20,000	$358	$2,000	$60.00

a—Jordan, C. A., "The Sales Tax," *Bulletin*, National Tax Association, Volume VII, pp. 182–84.

Effects on Integrated Business

An integrated business concern, that is, one that produces its own raw materials, manufactures and sells its merchandise direct to the consumer, will have a decided advantage. The small producers, manufacturers and dealers will each pay the tax at each turnover while the large one will pay the tax only once, since all the processes occur within the organization. To obviate this condition, it is necessary to collect the tax at each stage of the process within the large organization, a requirement that raises many administrative difficulties, some of them almost insuperable.

The tax may become a burden on business and on consumers likewise by encouraging a small turnover with large profits rather than a large turnover with small profits. A concern doing an enormous business with a comparatively small profit on each sale is made to bear the brunt of the tax, since it is based on gross receipts rather than on income.

[1]Rothschild, M. D., "The Gross Sales or Turnover Tax," *Proceedings*, National Tax Association, 13th Conference, 1920, pp. 197-202.

Profit and Capital Ratios Vary Between Industries

According to a study made by the National Industrial Conference Board for a four-year normal business period, 1922 through 1925, the annual average ratios of profits for a selected group of manufacturing corporations varied between 7.4% and 9.4%; for comparable wholesale corporations, between 2.6% and 3.5%; for retail corporations, between 6.2% and 6.8%. The ratios of capital to turnover for 1922 and 1923 for these manufacturing corporations were around 80%; for the wholesalers slightly above 30%, and for the retailers about 40%.[1] Clearly, sales taxes distribute tax burdens very differently from income, capital stock and property taxes. There are such variations in the profits and capital stock ratios of different corporations in the same class, however, that classification of rates can remove only the grosser discriminations of a sales tax. (See Table IX—8, page 222.)

A general sales tax law, furthermore, does not take into account all of the vicissitudes of business. During lean years when profits are small or disappear altogether the tax is collected though an actual loss is sustained. This may affect labor adversely since it will be to the interest of the employer who is facing a loss to close down his mill and thus save the tax, especially if it is heavy. In any case, it will be a factor having this tendency. A series of adverse economic forces may thus be set in motion.

Effect of Sales Taxes Imposed by States

Not all of the economic results of a general sales tax discussed above will follow where the tax is imposed by a state or local authority. The more local the tax, the more producers and distributors are affected by competition of outsiders not subject to the same or equivalent taxes, hence the more the probability that they can not shift it to consumers. Whether the state levying the tax is a small or large factor in the total market is of considerable importance in many cases and, of course, the idea that state taxes follow different rules from national taxes is sound only in so far as interstate trade is more general and freer than international trade. If all other states levy the same or equivalent taxes as the state in question, the tax takes on the character of a national levy, with no national untaxed or lower-taxed producer having a special advantage because of taxes. But usually there is little uniformity in the taxes of different states.

[1]*The Shifting and Effects of the Federal Corporation Income Tax*, 1928, Vol. I, pp. 189, 216, 222.

TABLE IX—8: RELATIONS BETWEEN NET AND GROSS INCOME IN DIFFERENT CLASSES OF INDUSTRIES (CORPORATIONS) IN THE UNITED STATES AND IN WEST VIRGINIA, 1925-1927 [a]

Industry and Year	Ratios of Net to Gross Income	
	United States %	West Virginia %
All Industries:		
1925	5.60	4.72
1926	5.28	5.93
1927	4.51	3.88
Agriculture and Related Industries:		
1925	2.22	19.44
1926	1.75	1.12[b]
1927	2.03	9.00
Mining and Quarrying:		
1925	4.95	2.30[b]
1926	5.99	4.43
1927	7.66	1.29[b]
Manufacturing:		
1925	6.08	6.26
1926	5.93	7.41
1927	4.85	7.00
Construction:		
1925	4.91	.22[b]
1926	3.87	.52
1927	3.66	.48[b]
Transportation:		
1925	11.23	13.78
1926	10.86	13.77
1927	9.19	9.76
Trade:		
1925	2.43	2.14
1926	2.04	2.23
1927	1.94	2.10
Service, Professional, Amusements, Hotels:		
1925	6.14	2.05
1926	4.68	2.26[b]
1927	3.55	1.70
Finance, Banking, Real Estate, etc.:		
1925	10.15	12.34
1926	6.58	10.58
1927	7.25	8.08
Nature of Industry Not Given:		
1925	...	.85[b]
1926	8.19[b]	3.11[b]
1927	6.12[b]	1.03[b]

a—Computed from data published by the United States Treasury Department, *Statistics of Income*, 1925, 1926, 1927. Deficits of those corporations having no net income are deducted from net income of those reporting income; gross and net income as defined by the United States Treasury.
b—Ratio of total net loss to gross income.

The following groups will be considered with reference to the probable effects of a state sales tax on business:

(1) *Retail Merchants.* Competition from outside the state, except in towns along the border, will probably not be sufficient to keep merchants from passing the tax on to the consumer. Border town merchants will not suffer perceptibly from the competition if the merchants in other states are subjected to other taxes, such as the general property tax, which are high enough to offset the sales tax in a state imposing a sales tax. Interior towns as well as border towns are subjected to the competition of mail order houses and if the latter are located in states with low tax rates the competition works to favor the outsider.

(2) *Wholesale Merchants and Manufacturers.* These groups belong to what are often called the "mobile industries," that is, they can to some degree choose their locations in carrying on business. The location of cheap power and raw materials, freight rates, etc., will affect the choice of location, especially for manufacturers, and may more than offset tax disadvantages, especially if the tax is small. But other things being equal, the choice will be determined by the tax policy of the state. Mobile industries "are ever shifting from one state to another, seeking locations having the most favorable conditions of raw material, transportation, labor supply, etc. For industries that are completely mobile, which, of course, is true of relatively few, there must be shifting of the tax or the industry will move out. This does not always necessarily mean dismantling a plant. All that is necessary may be to divert orders to plants in other states owned by the same corporations."[1]

(3) *Extractive Industries.* Business concerns engaged in the extractive industries, that is to say, in farming, mining, production of timber, oil and gas, etc., have little opportunity of shifting a sales tax, nor can they move out of the state like those engaged in the mobile industries. Shifting is not possible as the products are for the most part shipped out of the state and flow into national and international commerce. "Such a tax will not be shifted appreciably but will be capitalized and will reduce, by the amount of the present value of all such expected taxes, the value of the natural resources which these industries are exploiting."[2] In other words, the value of lands on which ad valorem taxes are levied will be lowered by sales tax burdens and to that extent the sales tax will lower the property tax base.

SITUATION IN WEST VIRGINIA

West Virginia occupies no favored position in the application of these general principles governing general sales taxes. In the

[1]Jensen, J. P., "General Versus Selective Sales Taxes," *Proceedings*, National Tax Association, 1929, p. 403.
[2]Ibid., p. 406.

production of coal, oil and gas it is situated in a competitive field which takes no account of state lines. Between 90% and 95% of the coal mined in the State and 65% of the gas is shipped in interstate commerce. Commerce in general is approximately 85% interstate and only 15% intrastate. "Between 85% and 90% of all manufactured articles produced in West Virginia are transported outside the State."[1]

It has been argued by some that the goods sold beyond the borders of the State must still pay the sales tax and revenue is thus obtained from the citizens of other states to help pay the expenses of running the State of West Virginia. For the most part, this is only seemingly true, not actually so, because West Virginia producers and distributors must meet outside competition. The idea of obtaining substantial tax funds from citizens of other states by a general sales tax takes on the characteristics of a mirage.

The complications arising from the tax in the coal industry is expressed in the following language of an operator with mines in Ohio and Pennsylvania:

> "While there may be numerous arguments in favor of this method of taxation from what might be called 'public policy,' it seems to be a fact among West Virginia operators and sales agencies that market prices are governed not so much by operating costs as by competition. Taxes, especially gross sales taxes, are treated as a loss to be entered on the books before closing each month, rather than the first lien on the product as the state prescribes. Among industries where monopolies are controlled, costs in detail are usually totalled before selling prices are set. In our disorganized coal industry, however, taxes on sales appear to be an after effect and are a real hindrance when attempting to sell West Virginia coal at a profit in competition with Pennsylvania coal on which no such tax is assessed.
>
> "'On large contracts,'" explains a West Virginia coal operator, "'it is not unusual to carry the delivered price out to four decimals, and if a West Virginia operator is in competition with Ohio or Pennsylvania coal he is handicapped to the extent of the gross sales tax.'"—Personal communications.

Classification of Sales Tax Rates

The classification of the rates of the West Virginia sales tax gives some recognition to the differences in net incomes of different businesses, and is to that extent an improvement over a uniform

[1]Hall, Grant P., State Tax Commissioner, *Advance Sheets Showing Collections on Account of the West Virginia Gross Sales Tax*, 1924, p. 3. Quoted in National Industrial Conference Board, *Tax Problem in West Virginia*, p. 177.

general sales tax. It is practically impossible, however, to make a sales tax the equivalent of a good income tax, although it may be given the color of such a tax by classification. But the existing rates are more or less arbitrary and show more signs of political than of equitable economic determination. A comparsion of rates in different states indicates great arbitrariness. For example, Louisiana oil and gas are taxed at 3% as compared with 1% on oil and 1.85% on gas in West Virginia. Kentucky taxes these products at 1½%, Montana and Texas at 2%, Arkansas at 2½%, and Oklahoma at 3%.

The West Virginia exemption of $10,000 appears unduly large, but it does offset some of the inequities of the tax while creating others, not to mention its aspects of political expediency. It undoubtedly lessens the task of administration, though it probably encourages some evasion. If politically expedient—which is doubtful—it might be well to reduce the exemption to $5,000 and to consider the levying of a flat license tax of $10 or $15 on everybody engaged in any business, trade, profession or occupation not already paying a license or occupation tax of that amount. Credit might be allowed for lesser license and occupation taxes already paid. Every one should be required to file a statement of exact or approximate amount of business. Only those suspected of having more than the exemption need be checked, and those by a process of sampling accompanied by proper publicity.

Trends in Sales Tax Collections

Summary data showing the average percentages of total collections of sales taxes from various groups of industries have been given on pages 201-03. Somewhat more extended summaries are in Tables No. IX—10, appended to this chapter, and Nos. XIV—12 and XIV—13 in the Appendix at the end of this Report. It will be noted that the extractive industries have paid a large part of the total, varying from 36.7% to 49.3%. Nearly all the collections from the extractive group of industries come from coal, oil and gas.

The share of the coal industry has varied from 25.86% to 40% of the total. Though the trend has been interrupted, its general direction has been downward, due to the depression in the coal industry since the war.

The trend of collections from the oil and gas industries was even more rapidly downward until after the substantial increase in the rates of tax levied upon them after 1925. From 1926 to

TABLE IX—9: GROSS SALES LICENSE TAX—STEAM RAILROADS, 1928

INTERSTATE EXEMPTIONS REPORTED

File Nos.	Name	Total Gross Income Reported for West Virginia	Interstate Gross Income Reported for West Virginia	Intrastate Gross Income Reported	% Intrastate	% Intrastate
502–2	Norfolk & Western R. R. Co.	$31,920,581.63	$31,234,905.23	$ 685,676.40	97.8	2.2
502–17	Western Maryland R. R. Co.	2,151,656.78	1,931,701.40	219,955.38	89.8	10.2
502–9	Monongahela Railroad Co.	1,314,892.44	1,240,629.29	74,263.15	94.5	5.5
502–48	Kellys Creek & N. W. R. R. Co.	229,400.73	155,287.20	74,113.53	67.7	32.3
502–25	Kanwaha Glen Jean & Eastern R. R. Co.	227,075.19	213,484.97	13,590.22	94.0	6.0
A661–68	West Va. Northern Railroad Co.	88,693.61	82,829.74	5,863.87	93.4	6.6
A6618–7	Winchester & Western R. R. Co.	86,727.60	86,504.88	222.72	97.4	2.6
502–16	Kellys Creek Railroad Co.	81,284.46	66,674.38	14,610.08	82.0	18.0
502–36	Strouds Creek & Muddlety R. R. Co.	32,722.22	18,900.87	13,821.35	57.8	42.2
502–44	Cairo & Kanawha Ry. Co.	19,951.94	7,128.27	12,823.67	36.0	64.0
502–31	Winifrede Railroad Co.	10,851.53	9,463.40	1,388.13	87.0	13.0
502–11	Benwood & Wheeling Connecting R. R. Co.	72,111.38	15,108.07	57,003.31	21.0	79.0
Totals		$36,235,949.51	$35,062,617.70	$1,173,331.81	96.76	3.24

The Baltimore and Ohio Ry. Co. reported intrastate gross income of $5,601,619.99 but did not report total gross income for West Virginia.

The Chesapeake & Ohio Ry. Co. reported intrastate gross income of $4,554,277.13 but did not report total gross income for West Virginia.

1927 collections from these industries rose from 4.8% to 17.31% of the total and, in dollars, were more than four times those of the preceding years.[1] Since that time they have declined appreciably. After the extractive industries comes manufacturing, collections from which during the nine-year period have varied from 19.41% to 28.5% of the total. In percentages, the trend has been neither up nor down, though there was a bad sag in 1927 and 1928. Despite the severe general business depression, there was a slight gain in collections from manufacturers in the fiscal year 1930. Although the rate on manufacturing is only half that on coal extraction the decline in the coal industry tends to make its payments fall nearer and nearer to those of the manufacturers.

Collections from retailers have remained relatively stable in dollars but have declined in percentages of the total, the average for nine years being 16.53%. The collections from banks and public utilities more than doubled after the rate increases of 1925, averaging 7.87% of the total for the nine years.

If total yields are examined, it will be noted that slack business or depressions in 1924 and 1927 were followed by lower collections in the years immediately following. But 1927 receipts were abnormal and have not been equalled since. Although total collections from all occupations were slightly greater in 1930 than in 1929, despite the general business depression of the latter year, precedent would indicate that they may not hold up the next year, that is in 1931.[2] While collections lag behind business declines, they do not lag so far behind as may appear, because fiscal years end June 30. Returns for approximately three-fourths of the calendar year of 1930 are made in the fiscal year ending June 30, 1931.

EFFECT OF LIMITATIONS ON TAXING INTERSTATE COMMERCE

Some of the effects of the limitations on taxing interstate commerce under the West Virginia gross sales tax are illustrated by some statistics prepared by the Sales Tax Division of the Tax Commissioner's office for the year ended December 31, 1928. Sixteen interstate steam railroads operating in the State reported $13,191,798 gross income for purposes of the state occupation tax, whereas, they would have reported $163,980,965, or 25.04% of their

[1]Receipts of 1927 are misleading. Gas companies withheld payment because of litigation. The effect was that half of 1925 and 1926 taxes were collected in 1927 and consequently 1927 collection figures contain amounts that normally would show in 1925 and 1926.

[2]Later data received while this Report is in press bear out this prediction. It is now estimated that the gross sales tax will yield $3,350,000 to $3,500,000 in the fiscal year ending June 30, 1931. See Table III—18, pages 56 and 57.

total gross income, if their gross income had been allocated to this State on the same basis as their property was allocated by the Board of Public Works for property tax purposes. That is, figured on this basis, less than one-twelfth of the one-quarter of their gross earnings "properly" allocable to this State was subject to the state occupation tax. (See Table IX—9, p. 226; also, Tables IX—11, and IX—12, pp. 237 and 238.)

Relation Between Gross Sales, Gross Income and Net Income Tax Rates

Allocating their net income also upon the same basis which the Board of Public Works allocated their property for property tax purposes, it was calculated that it would take a rate of 12.4247% on the present basis of intrastate gross income to be equivalent to a rate of one per cent upon gross income "properly" allocable, or equivalent to a rate of 5.4237% upon net income "properly" allocable, to this State.

While the ratio of gross income to net income for interstate steam railroads thus allocated to this State for the year 1928 was about 5½ to 1, the total gross income of these railroads in all states was a little over 6½ times the total net income. These ratios of gross to net income for railroads are quite different from the ratios of gross to net for all corporations reporting for federal income tax purposes. For the years 1925, 1926, and 1927, the last three years for which statistics are available at this writing, gross income of all corporations ran about 12.7 to 13.4 times net income reported for West Virginia. For the United States as a whole for the same years, gross income reported for all corporations ran from 14.2 to 16 times net income. (Table XI—13, p. 239.)

It should be remembered, however, that gross income reported for West Virginia for federal income tax purposes differs in several respects from the taxable sales or production to which this State applies its gross sales or occupation tax. For example, gross sales may be several times gross income (Table IX—14, p. 240, appended to this chapter) and, furthermore, the federal government allots returns of a corporation doing an interstate business to the state in which its principal office is located. The income of a West Virginia industry with its principal office in Pittsburgh would be included among Pennsylvania income returns.

Although we do not have the data to calculate net income tax rates that would be the exact equivalents of existing sales tax rates,

nevertheless, the figures cited show that it normally takes a much higher rate on net income than on gross income or sales to yield the same revenue. Many people who face with equanimity a sales tax rate of a half of one per cent may not be psychologically prepared to face a rate of from five to ten per cent on net income, although the latter might be the equivalent of the former.

Special Taxation of Public Utilities

It is often argued that especially heavy taxes—sales or other kinds of taxes—should be levied upon public utilities because of the extraordinary privileges which they enjoy, and also upon the extraction of natural resources because they are the gift of nature and, besides, their removal diminishes the tax base as well as the wealth of the state. These points are more properly discussed under the subject of classification. (See Chapter VII.) It may be remarked here, however, that public utility rates are generally supposed to be regulated to permit a fair return upon invested capital. It makes a good deal of difference whether taxes are considered as costs or not. They usually are so considered. If regulation is perfect, it matters little to a utility whether its taxes are higher or lower than those on other property, because its rates will be changed to permit the same net in any case. To the extent that regulation is not perfect and to the extent that the traffic will not bear higher rates, higher taxes may cut into reasonable returns. Methods of regulating interstate utilities and competing utilities may also bring some inequities.

But assuming fairly effective and equitable regulation, high taxes upon public utilities mean that such utilities are used by the taxing authorities to collect extra revenues from consumers of the utilities' services; taxes so low that the utilities do not pay their share of government services mean that consumers of their services are given service at less than cost and at the expense of other taxpayers, rather than at the expense of the utilities themselves. The recommendation of the special committees of the National Tax Association[1] that public utilities be neither favored nor discriminated against appears to be the soundest general rule and most equitable all around.

Special Taxation of Extractive Industries

Despite a certain amount of justification for the special taxation of extractive industries. (See pages 153-57), its advocacy is usually

[1] *Proceedings*, 1913, pp. 372-83; 1922, p. 167.

accompanied or occasioned by a certain amount of questionable exploitation on the one hand, and class prejudice on the other hand. It is common for an undeveloped state to encourage immigration and the investment of outside capital by the promise of prospective increases in land values and large profits from the development of mineral and other resources. If no one acquired an unusual amount of wealth or easy money, and if no one attempted to secure unfair advantages through control of legislatures, courts, or otherwise, perhaps there would be no strong advocacy of specially heavy taxation upon the unearned increment in land or upon unusual profits from extractive or other industries. But with human nature as it is, unusual wealth or unusual profits nearly always occasion proposals for special or heavier taxation by those less fortunate, particularly by those having conflicting interests. The probability of such proposals is increased where wealth or profits have been acquired by questionable means, though trying to shift tax burdens on to some one else is a perennial game in any case.

Special Taxation of Land

Consider, for example, the case for the special taxation of the "unearned increment" in land. In as much as this is not a burning issue in West Virginia, it may be possible to discuss the principles involved with some detachment. In an old country with high land values, the initiation of new and extra heavy taxes to absorb the "unearned" increment would clearly be a confiscation of long established values and a great shock to property rights and to much that is involved in the system of private property. Obviously the fairest place and time to initiate such a tax is in a new country before "unearned" increments have been developed. Those not liking the new system can stay away, only those liking it need go to the new country. They will be warned in advance, so that land values in the new country will take account of the system of taxation.

But it is the new and undeveloped country that is most anxious for additional population and capital. It has little to offer to induce immigration and capital importation except the lure of prospective profits in land, minerals, timber, etc. Usually an undeveloped state proclaims these inducements far and wide. If it proclaimed the complete confiscation of all such gains through taxation, it would get few settlers and little outside capital. If after inducing the inflow of settlers and capital, it then changes the rules

in the middle of the game so as to take away the premium offered for coming, it can be accused of breaking faith.

It is obvious that the main thread of this argument applies to lands bearing oil and other minerals, as well as to agricultural and urban land. If in addition they are owned in large part by outsiders, especially if unusually large profits are supposed to go to rich foreign corporations, the pressure for special taxation is likely to be quite urgent. On the one hand, all sorts of reasons and pretexts are likely to be urged in justification of specially heavy taxation and, on the other hand, just as specious reasons, perhaps also attempts at control of legislatures, administrators and courts, may be resorted to in order to prevent discrimination or to secure special advantages. Dubious methods on one side are thought to justify other dubious methods in self-defense, and the situation may grow from bad to worse.

Private property and state sovereignty are sometimes difficult to harmonize. Constitutions and courts may guarantee property rights, but such rights may have their substance sapped by changes in tax systems, although the external form remains intact. It is not heavy taxes *per se,* but unexpected increases in taxes, that confiscate values. Expected taxes are discounted by purchasers in lower prices paid for land, so that lower net rents yield the standard rate of return upon the price paid.

But to maintain that tax or other laws cannot be changed because to do so results in the confiscation of property and the unsettling of the institution of private property generally is to maintain that the errors of the past must be perpetuated. The history of every people in every age gives notice to all that administrations change and that policies sometimes change more often than administrations. Every promise of a state is a conditional promise. It is true that experience has seemed to prove that the expressed and implied promises relative to the protection of private property are not to be changed too radically and too often, but that they will be changed from time to time as those in control deem best is the lesson of history. Those who are wise will not delude themselves into thinking otherwise.

The best that can be hoped for is that changes will be "reasonable," and for the long run advantage of society as a whole. Action at any particular time should be taken only after balancing the advantages and disadvantages of one particular course as compared with those of the best alternative. One of the alternatives

to a gross sales tax is to increase the property tax. Many think that this tax is already much too heavy in West Virginia. Certainly, it is too heavy upon some property owners and its administration should be greatly improved before much larger amounts are raised from it. Another commonly proposed alternative of a gross sales tax is a net income tax. A number of states have adopted such a tax and we may be in a better position to judge of its merits for West Virginia after a discussion of the experiences of other states.

Before taking up a discussion of state income taxes, however, it may be well to give a brief summary of the advantages and disadvantages claimed for the gross sales tax.

Advantages Claimed for the Gross Sales Tax[1]

1. It produces relatively stable and dependable revenues.
2. It is easily and cheaply computed by the taxpayer.
3. It is easily and cheaply administered by the state, the cost of collection in West Virginia averaging about 1.15% during the past four years. (See Table IX—3, page 203.)
4. It has the advantages of an old tax. Amendments indicated by the experience of the first few years have been made, the people and industry generally have become adjusted to it, and it has been adjudicated by the courts.
5. Rates may be adjusted so as to impose in effect a severance or depletion tax, or to cover extra expenses which an industry may occasion the state.
6. It may be given the color of an income tax by applying different rates to different occupations, but little more than a very rough approximation to a net income tax can be attained by such methods.
7. It has wide application and, therefore, does not discriminate between different industries as do some taxes.
8. It requires concerns having net losses to pay some of the costs of government services to them, as a net income tax does not. This lessens tax burdens upon more efficient industries.
9. A state gross sales tax is not shifted upon consumers to the same extent as a national tax, because producers and distributors must meet outside competition.

[1]Some of these points were made in Governor Conley's address before the Governors' Conference at Salt Lake City, June 30, 1930; others are taken from other sources. See especially the National Industrial Conference Board's *General Sales or Turnover Taxes*, 1929.

10. Where a sales tax is shifted to consumers, it does not burden producers and is little felt by consumers who pay it in convenient driblets as they purchase commodities.

Arguments Against the Gross Sales Tax

1. It violates the first and most fundamental principle of equity in taxation in that it takes no account of ability to pay.
2. It usually lays heavier burdens upon the necessities than upon the luxuries of life, upon the poor than upon the rich. In effect, it tends to be an income tax in reverse.
3. It is condemned by nearly all economists.
4. Some of the advantages claimed for gross sales taxes are of little value or of doubtful validity. Most of the real advantages can be secured by the use of other taxes which have less serious faults. If the people generally thoroughly understood the effects of gross sales taxes as compared with other and better taxes, they would not stand for them at all.
5. Sales taxes are the devices of peoples who are unwilling to face facts, but seek their ends by indirection. Such taxes are much more prevalent among the Latin than among the Anglo-Saxon peoples, some of whom prefer to know just what they are paying for government services and why, and so are willing to pay direct property and income taxes instead of having exactions concealed in the enhanced prices of commodities which they buy.
6. A sales tax discourages the development of new and promising industries by taxing them while getting on their feet, even though they are making no net profit. A net income tax would be much more favorable to them, and later secure revenue when they are able to pay.
7. A gross sales tax, if heavy enough to yield substantial revenues, is particularly injurious to industries and business with large turnovers sold at narrow profit margins. That is, it is especially antagonistic to the economies of mass production with specialized and expensive machinery, in other words, to the type of industry that has put America in the forefront of the world.

A discussion of state income taxes will be taken up next.

Appendix to Chapter IX

TABLE IX—10: YIELDS OF WEST VIRGINIA GROSS SALES TAX [a]

COAL PRODUCTION—GROSS VALUE PRODUCTION

Present Rate: 42c per $100.00

Year Ended June 30th	Tax	% of Total
1922	$ 516,777.66	35.3
1923	1,084,474.35	40.0
1924	1,093,782.87	35.8
1925	731,819.15	28.7
1926	969,729.60	30.7
1927	1,182,676.21	29.01
1928	1,022,010.04	26.86
1929	945,764.09	25.86
1930	925,917.63	24.99
Total 9 Yrs.	$8,472,951.60	30.07

OIL AND GAS PRODUCTION—GROSS VALUE PRODUCTION

Present Rate: Oil, $1.00 per $100.00
Gas, $1.85 per $100.00

Year Ended June 30th	Tax	% of Total
1922	$ 150,674.05	10.3
1923	231,702.84	8.6
1924	221,621.07	7.2
1925	199,851.28	7.8
1926	152,275.60	4.8
1927	705,550.77	17.31
1928	615,535.47	16.18
1929	520,530.47	14.24
1930	519,869.68	14.03
Total 9 Yrs.	$3,317,611.23	11.77

CLAY, SAND, STONE PRODUCTION GROSS VALUE PRODUCTION

Present Rate: 45c per $100.00

Year Ended June 30th	Tax	% of Total
1922	$ 13,077.59	.9
1923	18,034.95	.7
1924	24,170.15	.8
1925	24,954.33	1.0
1926	29,261.06	1.0
1927	31,850.81	.78
1928	30,232.31	.79
1929	29,566.75	.81
1930	31,466.63	.85
Total 9 Yrs.	$232,614.58	.83

TIMBER PRODUCTION—GROSS VALUE PRODUCTION

Present Rate: 45c per $100.00

Year Ended June 30th	Tax	% of Total
1922	$ 00.00	0.0
1923	00.00	0.0
1924	00.00	0.0
1925	00.00	0.0
1926	5,418.32	.2
1927	25,372.02	.62
1928	30,190.49	.79
1929	31,958.18	.87
1930	32,114.17	.87
Total 9 Yrs.	$125,053.18	.44

a—See Address on the Sales Tax delivered by Governor William G. Conley at the Governors' Conference, Salt Lake City, Utah, June 30, 1930. Data for 1930 furnished directly by Mr. W. B. Calder of the Sales Tax Division. More detailed data are given in Tables XIV—12, pp. 432-34-36, and XIV—13, pp. 437-38-40, in the general Appendix.

TABLE IX—10: YIELDS OF GROSS SALES TAX—Continued

RECAPITULATION: COAL, OIL AND GAS, TIMBER, CLAY, SAND AND STONE PRODUCTION—TOTAL PRODUCTION

Year Ended June 30th	Tax	% of Total
1922	$ 680,529.30	46.5
1923	1,334,212.14	49.3
1924	1,339,574.09	43.8
1925	956,624.76	37.5
1926	1,156,684.58	36.7
1927	1,945,449.81	47.72
1928	1,697,968.31	44.62
1929	1,527,819.49	41.78
1930	1,509,368.11	40.74
Total 9 Yrs.	$12,148,230.59	43.11

MANUFACTURING—GROSS VALUE

Present Rate: 21c per $100.00

Year Ended June 30th	Tax	% of Total
1922	$ 339,413.39	23.2
1923	656,863.16	24.2
1924	780,013.03	25.6
1925	725,880.37	28.5
1926	842,128.28	26.7
1927	791,215.12	19.41
1928	788,315.06	20.72
1929	855,762.16	23.4
1930	883,232.26	23.84
Total 9 Yrs.	$6,662,822.83	23.64

SALES, EXCLUSIVE OF WHOLESALE—GROSS INCOME

Present Rate: 20c per $100.00

Year Ended June 30th	Tax	% of Total
1922	$ 269,615.05	18.4
1923	442,177.06	16.3
1924	586,755.98	19.2
1925	539,341.14	21.1
1926	555,399.31	17.6
1927	580,255.07	14.24
1928	562,176.76	14.77
1929	564,652.54	15.45
1930	558,612.80	15.08
Total 9 Yrs.	$4,658,985.71	16.53

SALES, WHOLESALE—GROSS INCOME

Present Rate: 5c per $100.00

Year Ended June 30th	Tax	% of Total
1922	$ 31,362.08	2.2
1923	52,404.17	1.9
1924	61,867.69	2.0
1925	56,329.84	2.2
1926	71,658.20	2.2
1927	88,873.19	2.18
1928	84,980.91	2.23
1929	79,126.92	2.16
1930	81,513.05	2.20
Total 9 Yrs.	$ 608,116.05	2.16

Table IX—10: Yields of Gross Sales Tax—Continued

Banks and Public Utilities—Gross Income

Present Rates: Banks, 30c; Steam R. R. and Pipe Lines, $1.00; Telephone, Telegraph, Express, Electric Light & Power Companies, 60c; Street R. R. and other Public Utilities 40c.

Year Ended June 30th	Tax	% of Total
1922	$ 68,276.38	4.7
1923	101,859.79	3.8
1924	115,344.04	3.8
1925	105,045.90	4.1
1926	297,982.84	9.4
1927	402,507.44	9.88
1928	399,279.65	10.5
1929	360,061.96	9.85
1930	366,302.60	9.89
Total 9 Yrs.	$2,216,660.60	7.87

Other Business and Professions (Professions to June 30, 1925 only) Gross Income

Present Rates: Contracting, 30c; Amusement, $1.00; All others, 30c.

Year Ended June 30th	Tax	% of Total
1922	$ 73,183.08	5.0
1923	120,850.41	4.5
1924	172,421.32	5.6
1925	167,877.11	6.6
1926	235,299.61	7.4
1927	267,842.56	6.57
1928	272,357.33	7.16
1929	269,209.24	7.36
1930	305,701.93	8.25
Total 9 Yrs.	$1,884,742.59	6.69

Grand Recapitulation by Classes

Class	Tax	% of Total
Coal Production	$ 8,472,951.60	30.07
Oil and Gas Production	3,317,611,23	11.77
Clay, Sand and Stone	232,614.58	.83
Timber Production	125,053.18	.44
Total Production	$12,148,230.59	43.11
Manufacturing	6,662,822.83	23.64
Sales Exclusive of Wholesale	4,658,985.71	16.53
Sales, Wholesale	608,116.05	2.16
Banks and Public Utilities	2,216,660.60	7.87
Other Business	1,884,742.59	6.69
Total	$28,179,558.37c	100.00

c—Net receipts, refunds deducted.

Total Collecitons by Years

Year Ended June 30th	
1922	$ 1,462,379.28
1923	2,708,366.73
1924	3,055,976.15
1925	2,551,099.12
1926	3,159,152.82
1927	4,076,143.19
1928	3,805,078.02
1929	3,656,632.31
1930	3,704,730.75
Total Nine Yrs.	$28,179,558.37

Table IX—11: Interstate Steam Railroads

Statement Showing Gross Income Allocated to West Virginia on Basis Used by Board of Public Works, Gross Sales Tax, Property Tax, and Federal Income Tax, for Year Ended December 31, 1928.[a]

Railroad Company	Total Gross Income	% of Property Allocated to W. Va. by Board of Public Works	W. Va. Share of Gross Income on Same Basis	Intrastate Gross Income Reported by Railroads for Gross Sales Tax	W. Va. Gross Sales Tax Paid	W. Va. Property Tax	W. Va. Pro-rata Federal Income Tax by Board of Public Works Basis
Baltimore & Ohio	$246,263,760	25.20	$ 62,059,727	$ 5,601,620	$ 55,916	$2,090,515	$ 670,789
Chesapeake & Ohio	131,264,315	33.67	44,196,695	4,554,277	45,443	1,652,389	1,320,007
Norfork & Western	112,100,334	23.42	26,254,015	685,676	6,757	1,579,697	889,960
Pennsylvania	89,763,460	3.00	2,693,054	844,571	8,346	113,080	..
Wheeling Terminal	325,032	80.15	260,513	b	b	24,217	..
Cumberland Valley & Martinsburg	890,492	72.69	647,298	b	b	19,578	4,929
Virginian	20,960,514	38.82	8,136,988	645,088	6,351	645,697	176,628
N. Y. Central	19,332,389	56.15	10,873,208	566,347	5,563	192,328	..
Western Maryland	19,364,573	33.03	6,396,118	219,955	2,100	223,296	122,195
Monongahela	7,344,854	26.78	1,966,952	74,263	643	82,317	40,398
Scotts Run	60,000	84.57	50,742	c	c	9,019	6,089
Pittsburgh & West Virginia	6,045,568	6.62	400,216	d	d	16,517	18,205
Cumberland & Pennsylvania	935,210	.40	3,741	d	d	221	(Est) 130
Big Sandy & Cumberland	98,354	.90	885	d	d	172	..
Winchester & Western	89,427	38.02	34,000	d	d	1,118	..
Preston	54,501	12.50	6,813	d	d	242	..
Totals	$654,903,574	25.04	$163,980,965	$ 13,191,797	$131,119	$6,650,403	$3,249,331

a—From data furnished by Mr. W. B. Calder, Chief of the Gross Sales and Gasoline Tax Department.
b—Included in Pennsylvina R. R. Co.
c—Included in Monongahela Railroad Company.
d—Under Exemption.

TABLE IX—12: INTERSTATE BRIDGE COMPANIES

Statement Showing Gross Income Allocated to West Virginia on Basis Used by Board of Public Works, Gross Sales Tax, Property Tax, and Federal Income Tax. [a]

Name of Company	Total Gross Income	% of Property Allocated to W. Va. by Board of Public Works	W. Va. Share of Gross Income on Same Basis	Interstate Gross Income Reported by Bridge Companies for Gross Sales Tax	West Virginia Gross Sales Tax Paid	West Virginia Property Tax	W. Va. Pro-Rata Federal Income Tax on Board of Public Works Basis
Harper's Ferry & Potomac Bridge	$ 53,920	2.22	$ 1,197	$	$	$ 69	$ 130
Wheeling & Belmont	341,775	96.94	331,317	202,659	771	36,709	25,847
Marietta-Parkersburg	134,276	79.50	106,749	21,960	48	10,737	6,503
Kentucky & W. Va.	16,786	50.00	8,393	..	..	1,646	512
Virginia & Maryland	28,788	3.22	925	..	..	238	163
Wheeling Bridge Co.	108,600	77.96	84,665	14,733	19	7,342	3,835
Clarksburg-Columbus	7,867	70.00	5,507	..	..	1,800	Loss
W. Virginia & Ohio	48,476	65.03	31,524	..	..	3,178	Loss
Steubenville-Weirton	22,665	50.00	11,332	..	..	2,500[a]	Loss
Pomeroy-Mason	9,158	50.00	4,579	..	..	1,050[a]	Loss
Washington & Berkeley	73,038	6.25	4,877	..	..	186	343[b]
Midland & Atlantic	110,743	68.00	75,305	..	..	4,957	2,607
Interstate (Bellaire)	85,588	70.97	60,742	..	..	7,883	Loss
Huntington & Ohio	162,294	80.00	129,835	..	..	5,657	8,408
Interstate (Kermit)	4,572	50.00	2,286	..	..	716	39
Louisa & Fort Gay	18,878	31.39	5,926	..	..	665	104
Parkersburg Community	128,223	71.50	91,679	..	..	5,141	2,493[b]
Steubenville	188,584	62.23	117,356	..	..	11,562	9,565
Totals	$1,549,181	67.55	$1,074,194	$239,402	$ 838	$102,081	$ 60,554

a—From data furnished by Mr. W. B. Calder, Chief of the Gross Sales and Gasoline Tax Department.
b—Estimated.

TABLE IX—13: COMPARISON OF TOTAL RECEIPTS AND NET INCOMES OF CORPORATIONS REPORTING TO THE UNITED STATES BUREAU OF INTERNAL REVENUE, INCOME TAX DIVISION, WEST VIRGINIA AND UNITED STATES, 1925-26-27 [a]

West Virginia	Gross Income [b] (In Millions of Dollars)			Net Income (In Millions of Dollars)	Ratio of Net Income to Gross Income, all Corporations, D ÷ C, %
	Corporations Reporting Net Income A	Corporations Reporting no Net Income B	All Corporations C	D	E
1927	$702	$173	$875	$ 57	6.51
1926	815	151	966	76	7.88
1925	724	147	871	65	7.41
United States	**A**	**B**	**C**	**D**	**E**
1927	$115,324	$ 29,074	$144,398	$ 8,982	6.22
1926	118,022	24,108	142,130	9,673	6.81
1925	113,692	22,499	136,191	9,584	7.04

a—From United States Treasury Department, *Statistics of Income*, 1925, 1926, 1927.
b—Gross income in this table is the same as total receipts, while in Table IX-14 the term "gross income" is used for gross income from sales only.

Under most state income taxes, deficits of one year may not be carried forward to reduce taxable income of following years as is permitted under the federal income tax. Hence in making calculations for this table deficits of some corporations were not deducted from net income of other corporations to arrive at total income as was done in Table IX-14.

TABLE IX—14: RELATIONS OF GROSS INCOME AND NET INCOME TO GROSS SALES, FOR WEST VIRGINIA CORPORATIONS REPORTING TO THE INCOME TAX DIVISION OF THE FEDERAL TREASURY 1924, 1925, 1926, 1927.[a]

Per Cent

	All Corporations			Corporations Reporting Net Income			Corporations Reporting No Net Income
	Gross Income from Sales ÷ Gross Sales	Net Income ÷ Gross Sales	Net Income ÷ Gross Income from Sales	Gross Income from Sales ÷ Gross Sales	Net Income ÷ Gross Sales	Net Income ÷ Gross Income from Sales	Gross Income from Sales ÷ Gross Sales
Aggregate							
1924	22.00	5.51	25.05	23.22	9.57	41.20	16.64
1925	20.33	7.01	34.46	22.00	10.59	48.14	12.10
1926	22.34	7.07	31.64	23.83	10.99	46.12	15.10
1927	21.88	6.09	27.85	23.26	10.61	45.61	16.60
Agriculture and Related Industries							
1924	32.12	.27	.84	39.19	14.36	36.63	15.90
1925	32.50	2.98	9.17	39.88	18.10	45.40	13.80
1926	35.05	2.12	6.05	40.40	13.76	34.05	21.27
1927	35.30	2.55	7.22	39.06	15.55	39.80	22.52
Mining and Quarrying							
1924	30.05	1.69	5.62	35.83	11.68	32.61	23.83
1925	30.84	6.30	20.43	34.38	15.57	45.30	20.02
1926	31.90	7.10	22.25	35.58	16.92	47.56	23.22
1927	30.18	.92	3.05	36.21	14.69	40.57	21.51
Manufacturing							
1924	23.54	5.99	25.43	25.14	8.33	33.12	15.16
1925	22.04	6.48	29.42	23.32	8.84	37.89	13.55
1926	24.74	6.19	25.04	26.54	8.87	33.42	14.81
1927	23.71	5.07	21.37	25.67	8.23	32.05	16.52
Construction							
1924	17.79	5.13	28.81	18.93	9.35	49.39	13.15
1925	17.90	6.29	35.14	19.00	10.47	55.11	12.49
1926	18.06	4.56	25.26	19.07	8.34	43.75	13.56
1927	17.76	4.40	24.80	18.65	8.50	45.54	14.31
Transportation and Public Utilities							
1924	..	..	10.72*b*	..	..	13.50*b*	..
1925	..	..	11.20*b*	..	..	13.38*b*	..
1926	..	..	10.84*b*	..	..	12.72*b*	..
1927	..	..	9.17*b*	..	..	12.35*b*	..
Trade							
1924	18.62	3.21	17.24	19.32	3.96	20.47	15.52
1925	17.14	2.53	14.78	18.43	3.98	21.62	11.05
1926	17.77	2.12	11.92	18.61	3.62	19.47	14.10
1927	18.42	1.91	10.37	18.98	3.57	18.82	15.89
Service							
1924	..	..	5.15*b*	..	..	9.86*b*	..
1925	..	..	6.13*b*	..	..	10.79*b*	..
1926	..	..	4.68*b*	..	..	9.92*b*	..
1927	..	..	3.55*b*	..	..	9.11*b*	..
Finance							
1924	..	..	5.66*b*	..	..	14.14*b*	..
1925	..	..	8.33*b*	..	..	17.40*b*	..
1926	..	..	6.39*b*	..	..	13.90*b*	..
1927	..	..	7.06*b*	..	..	13.76*b*	..
All Other Industries							
1924	..	..	1.64*b*	..	..	7.24*b*	..
1925	..	..	1.60*b*	..	..	9.52*b*	..
1926	..	..	8.15*b*	..	..	9.46*b*	..
1927	..	..	6.09*b*	..	..	8.51*b*	..

a—United States Bureau of Internal Revenue, *Statistics of Income*, 1924, pp. 123-33; 1925, pp. 105-13; 1926, pp. 315-26; 1927, pp. 312-23. Gross income from sales only. In this table deficits of corporations reporting no net income are subtracted from net income of corporations reporting such income to arrive at total net income of all corporations.

b—Ratio represents the net income divided by total receipts in these instances.

TABLE IX—15: GROSS EARNINGS TAX RATES IN DIFFERENT STATES [a]

Per Cent

	Public Utilities Franchise Tax for doing Business	Railway	Telephone	Telegraph	Water	Electric	Gas	Street Railway	Express	Car
Alabama		7.0	5.5	5.5	7.5	.2	.2	.2	1.0	
California		3.5	4.0	3.5	1.5	7.5	5.25	5.25	2.0	3.0
Connecticut		7.0	5.0			1.5	1.5	3.0		
Illinois			5.0	3.0						
Louisiana		3.5[b]	1¼–6	1¼–6		1.0	1.5		8.0	5.0
Maine		1.25-2.50	2.5	2.0						
Maryland		5.0	4.0							
Minnesota										
New Jersey	.5[c]	.05	.05	.05	.05	.05	.05			
New York			3.5	3.5	2.00	2.00	2.0	2.0	2.0	
North Carolina		4.0	1.35							
Ohio			0.5			.05	.05			
Oklahoma	.8[d]									
Pennsylvania			2.0	2.0		.3	.3	1.0	3.0	
Rhode Island	.3[e]	.3	.3	.3		.25-.50	.25-.50	.25-.50		
South Carolina		1.5	1.5			1.125	1.125	1.6		
Texas		1.5	1.06	3.125		.6	.6	.4		
Virginia		1.0	.6	0.6						
West Virginia			5.0							
Wisconsin										

a—New York Tax Commission, *Federal and State Tax Systems*, 1930.
b—When net receipts do not exceed 10% of gross receipts; 4% on gross receipts when net receipts are from 10% to 15% of gross receipts; 4½% on gross receipts when net receipts are from 15% to 20% of gross receipts; 5% on gross receipts when net receipts are from 20% to 25%; 5½% of gross receipts when net receipts exceed 25% of gross receipts.
c—Also 3% on dividends in excess of 4%.
d—Also 5 mills on one dollar of capital stock.
e—Plus 3 mills on $1.00 of true value property.

Chapter X

STATE INCOME TAXES

OF ALTERNATIVES to the gross sales tax, perhaps the one most frequently proposed is the income tax. The experience of other states with this tax should be suggestive respecting the advisability or inadvisability of such a tax for West Virginia.

GROWTH OF INCOME TAX MOVEMENT

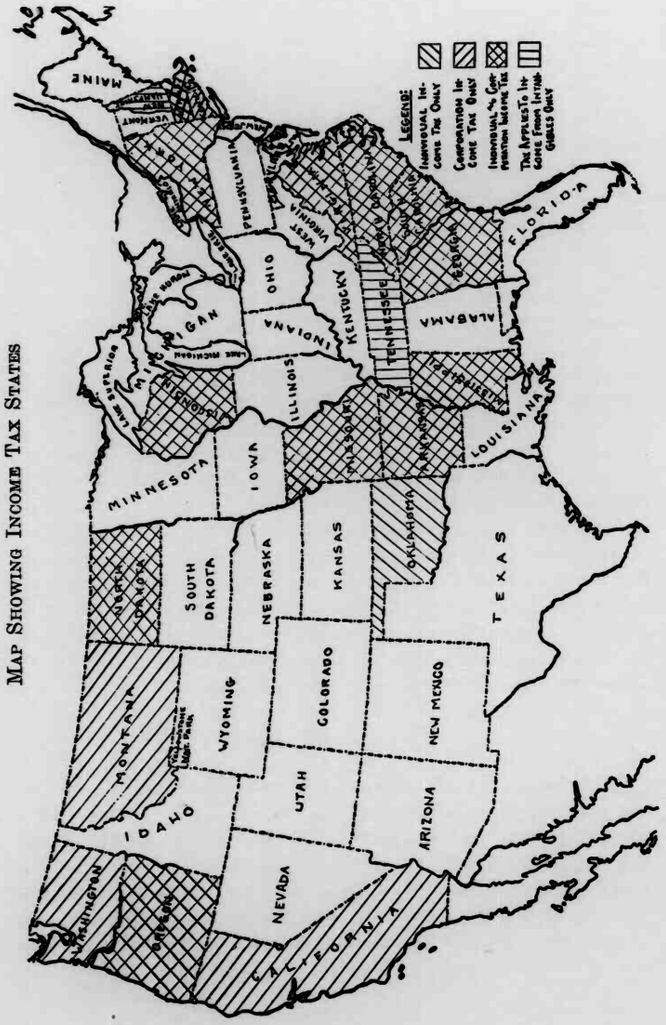
Among the most significant developments of recent times is the gradual but continuous spread of income taxation. This is not a new form of tax, in fact, it has been employed in various parts of the world for centuries. In this country more or less use has been made of it for almost three hundred years. But during most of our history, this form of revenue has been overshadowed and displaced by other taxes, in both national and state jurisdictions.

During the past two decades, however, there has been a great revival of income taxes in the United States, reminding one of the revival which began in Europe about eighty-five years ago. Our federal government first employed a comprehensive income tax during the Civil War. It resorted to it again shortly before the late World War, and under the stress of that struggle, was able to raise more revenue from this new source than from all other taxes combined. Its unusual value as an emergency measure was forcibly demonstrated both in this country and abroad.

STATE INCOME TAXES

Fewer than half the states of the union have income taxes as yet, but the trend is unmistakably in that direction. The movement has gained unusual momentum during the past year or two. At the beginning of 1929, only fifteen states had income taxes. During that year the legislatures of five more states passed income tax statutes, thus increasing the number of states having such laws by one-third. In no other single year has there been such a large number of states adopting this method of taxation.

The modern state income tax movement in the United States was initiated by Wisconsin whose tax was finally established in 1911



MAP SHOWING INCOME TAX STATES

after a decade of struggle. It is true that several states, notably Massachusetts, Virginia, and North Carolina, had had income taxes for many years prior to that date, but all of these taxes had become relatively insignificant under faulty administration and in most cases they had degenerated into almost or quite complete failures. Several other states besides those mentioned had attempted income taxes prior to 1911 but, due to ineffective administration, they amounted to little. It was only after Wisconsin showed what could be done with a modern, centralized, relatively non-political administration that the revival of state income taxes really got under way.

The movement was rather slow at first. Naturally the experience in Wisconsin was watched rather closely for several years and with many doubts as to the outcome. Had not such taxes always failed before? Had not administrators and economists proved that such taxes could not succeed? But Wisconsin's convincing experience, together with the universal need for greater revenues, led other states to try the income tax. This stage of the movement reached its climax in 1917 when four states, Delaware, Massachusetts, Missouri, and Montana established income taxes. New York and North Dakota followed in 1919.

In the decade following the war, there was much agitation against the heavy federal income and excess-profits taxes and the movement for state income taxes was checked. It is true that in this period the Carolinas changed over from the old unsuccessful type to the more modern form and that New Hampshire adopted a very incomplete income tax. But in the five year period, 1924 to 1929, not a single state was added to the number having income taxes.

With five states adopting this type of tax in 1929 and with various others considering it, it seems that the movement has again gotten under way. "It appears to be the consensus of opinion of students of taxation that taxation on the basis of net income will spread among the states as did the inheritance tax, and this opinion has been confirmed more recently by tax legislation in Arkansas, California, Georgia, Oregon, and Washington."[1]

Two of the states adopting such taxes in 1929 are in the South, viz., Arkansas and Georgia; and three are on the Pacific Coast, viz., California, Oregon, and Washington.[2] The other fifteen states

[1]National Industrial Conference Board, *State Income Taxes*, 1930, Vol. II, p. 97. This organization has usually been thought to be none too friendly to income taxation.

[2]See notes, pp. 251, 287, and 291 relative to invalidity of Oregon and Washington taxes.

having income taxes are New York, Massachusetts, Connecticut, New Hampshire, and Delaware in the East; Virginia, the Carolinas, Mississippi, Missouri, Oklahoma, and Tennessee in the South; Wisconsin, North Dakota, and Montana in the North Central or Northwestern section. It will be noted that there are three distinct geographical groups of income tax states, the New York and New England group of four states, the Southern group of nine states, and the Pacific and Northwestern group of five states. Though somewhat isolated, Delaware might be added to the Eastern group and Wisconsin to the Northwestern group.

Reasons for Adoption

The motives influencing state legislatures in the adoption of income taxes, as listed by the National Industrial Conference Board,[1] are as follows:

1. To tap a new source of revenue.
2. To equalize the burden between property owning and non-property owning classes having taxpaying ability.
3. To introduce a more accurate method of ascertaining taxpaying ability.
4. To reach incomes from intangibles escaping property taxes.
5. To introduce a convenient progressive element into the tax system.
6. To fix national banks in compliance with federal statutes.
7. To reach income from property difficult to reach because of federal laws.

CHIEF FEATURES OF STATE INCOME TAXES

In general, the states follow the federal government's concept and definition of income, though there are many differences in details. Net income is usually arrived at by deducting expenses of production from gross income. Losses from bad debts, fires, etc., are usually deductible also. Loss from estimated depreciation is usually an allowable deduction, though appreciation is not included as taxable income until "realized" by sale or otherwise, that is, capital net gains are usually considered as income when "realized," but not before. Rental values of houses occupied by owners and many other valuable usances and services are not included in taxable income, which is usually thought of as money income, or its equivalent. Gifts and bequests are not usually included. Personal and other exemptions are commonly subtracted from net income to arrive at taxable income.

[1] *State Income Taxes*, II, 171.

Of the income tax states, four tax corporations only, namely, California, Connecticut, Montana, and Washington. Three tax the incomes of individuals only, namely, Delaware, New Hampshire, and Oklahoma. In the other states the income taxes apply to the incomes of both individuals and corporations but in some of them important kinds of income are not subject to this tax. For example, the individual income tax adopted by Tennessee in 1929 applies only to income from intangibles not taxed as property. In New Hampshire the tax is on the income of certain intangibles only, and at the average rate of the property tax on real estate.

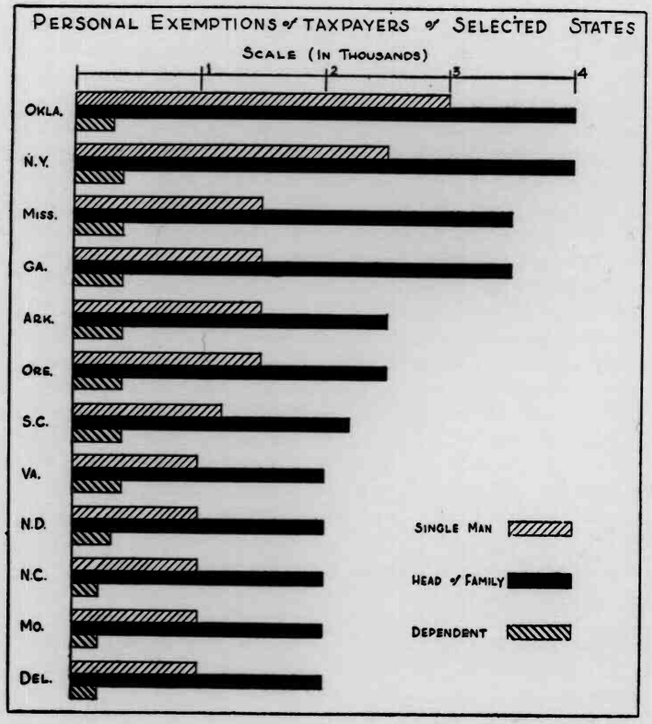
In Massachusetts the income tax is partial, not general. It applies to income from annuities, professions, employments, trade or business (1½%); to net gains from dealings in intangible personal property (3%); and to interest and dividends (6%). The theory in Massachusetts is that the income tax is a substitute or supplementary rather than an additional tax on the same base; that is, the aim has been to reach income that is not reached by the property tax or other taxes, and to exempt from this tax much of the income that is reached by other taxes.

In Wisconsin the aim is to tax all income arising within the state, regardless of the residence of the recipient, and even though property yielding income may be taxed already under the property tax. In New York the attempt is to tax all the income of residents, regardless of whether it originates in that state or elsewhere, and to tax also non-residents on income derived from property and occupations within the state. Eight other states follow this practice of New York, and three others tax residents on their entire income from within and without the state. The income from intangibles is generally presumed to follow the domicile of the owner.

In New York corporate income is again taxed under the individual income tax when received in the form of dividends. The New York practice follows the recommendation of the National Tax Association "model" income tax in this respect. Most states that apply the income tax to corporations do not again tax the dividends of domestic corporations in the hands of individuals. A number of the states exercise reciprocity with respect to taxing the dividends of foreign corporations.

In several of the states the taxes on corporations are technically designated as franchise taxes measured by income, rather than income taxes, nor do these taxes apply to the incomes of all corporations in all states. It is noteworthy that the difficulties of

CHART X—1



taxing national banks since the recent United States Supreme Court decisions had much to do with the adoption of the corporation franchise or income taxes in the three Pacific Coast states in 1929.

PERSONAL EXEMPTIONS

In the "model" state income tax of the National Tax Association the personal exemptions are $1,000 for a single person, $2,000 for the head of a family, and $200 for each dependent. In the existing statutes, five states have this recommended exemption for single persons, but four states (Arkansas, Georgia, Mississippi, and Oregon) have $1,500; South Carolina has $1,200; New York, $2,500; and Oklahoma, $3,000. Five states permit a $2,000 exemption for the head of a family; two states (Arkansas and Oregon), $2,500; Georgia and Mississippi, $3,500; two states (New York and Oklahoma), $4,000. Tennessee and New Hampshire permit no exemption for dependents; three states (Delaware, Missouri, and North Carolina) allow $200; one state (Massachusetts), $250; two states (North Dakota and Oklahoma), $300; and seven states, $400. North Dakota extends the exemption from age 18 to age 21 for each child being educated, while Oklahoma increases the amount from $300 to $500 but does not extend the age in such cases. Oklahoma has an exemption of $200 for dependents other than children. Mississippi grants an exemption of $200 for a dependent of a single person. Tennessee exempts $1,000 of taxable income, allowing husband and wife the exemptions for two individuals. Wisconsin is peculiar in having changed from exemptions of income to exemptions in terms of taxes. Eight dollars in taxes are allowed a single person, $17.50 for a head of a family, and $3.00 for each dependent. This method reduces the exemptions in the case of all but the smaller incomes subject to the tax.

For a number of years New York maintained the same personal exemptions as the federal government, changing them with each change in the federal statute. Last year, however, this state increased these exemptions substantially above those of the federal law, the latter being $1,500, $3,500, and $400 respectively for single person, head of family, and dependent.

Large personal exemptions tend to cut down the revenue, make the tax more of a class measure, and leave most of the citizens unmindful of extravagant expenditures.

Other deductions from gross and net income vary so much among the different states that it is difficult or impossible to treat them in

TABLE X—1: RATES AND EXEMPTIONS—PERSONAL INCOME TAX (State)[a]

State	Year First Effective	Personal Exemptions				Rates			
		Single Person	Head of Family	Dependent	Fiduciary	Minimum Rate Tax %	First Bracket Income	Maximum Rate Tax %	Last Bracket Income Begins at
Arkansas	1929	$1,500	$2,500	$400	$1,500	1	$3,000	5	$ 25,000
Delaware	1917	1,000	2,000	200	..	1	3,000	3	10,000
Georgia	1929	1,500	3,500	400	1,500	*h*	4,000	*h*	8,000
Massachusetts	1917	*c*	*c*	*c*	..	1½	*i*	6	*i*
Mississippi	1914	1,500	3,500	400*k*	..	2½	2,000	5½	15,000
Missouri	1917	1,000	2,000	200	..	1	all	1	..
New Hampshire	1924	200*d*	200	..	..	*j*	..	..	..
New York	1919	2,500	4,000	400	..	1	10,000	3	50,000
North Carolina	1921	1,000	2,000	200	..	1¼	2,500	5	15,000
North Dakota	1919	1,000	2,000	300 *l*	..	1	2,000	6	10,000
Oklahoma	1913	3,000	4,000	300*e*	..	¾	10,000	2	25,000
Oregon *b*	1929*b*	1,500	2,500	400	..	1	1,000	5	4,000
South Carolina	1922	1,200	2,200	400	1,000	1	2,000	5	15,000
Tennessee	1929	*f*	*f*	..	..	5	..	5	..
Virginia	1843	1,250	2,800	400	..	1½	3,000	3	5,000
Wisconsin	1911	*g*	*g*	*g*	..	1	1,000	7	12,000

a—Source of above: New York State Department of Taxation and Finance, Beulah Bailey, Librarian, letter of March 10, 1930. For more extensive data see Table X-20.

b—Law passed 1929, referendum 1930. Five per cent on income from money and credits. See Table X-20 including footnotes.

c—Income from intangibles, $1,000 if total income does not exceed $1,000, or if total income of husband and wife does not exceed $1,500 from intangibles; $2,000 if derived from profession, employments, trade or business for single person; $2,500 for married couple, and $250 for each dependent.

d—The tax is on income from intangibles only; $200 for each income otherwise taxable is exempt.

e—For dependent child under 18, $300; if in school, $500; each other dependent, $200.

f—Tax applies to income from intangibles only. An exemption of $1,000 of income of this type is allowed each individual. Husband and wife are counted as two individuals.

g—In Wisconsin the tax is first calculated as if no personal exemption were allowed. From the tax so calculated the following deductions are permitted: $8, $17.50, and $3 for single person, head of family, and dependent, respectively.

h—One-third federal income tax rates in effect at time Georgia law was passed. Georgia law was approved August 19, 1929.—Prentice-Hall, *Tax Diary and Manual*, 1930, p. 4.

i—1½% on earned income and annuities; 3% on income from sale of intangibles; 6% on income from taxable intangibles.

j—Rate is average rate on real estate.

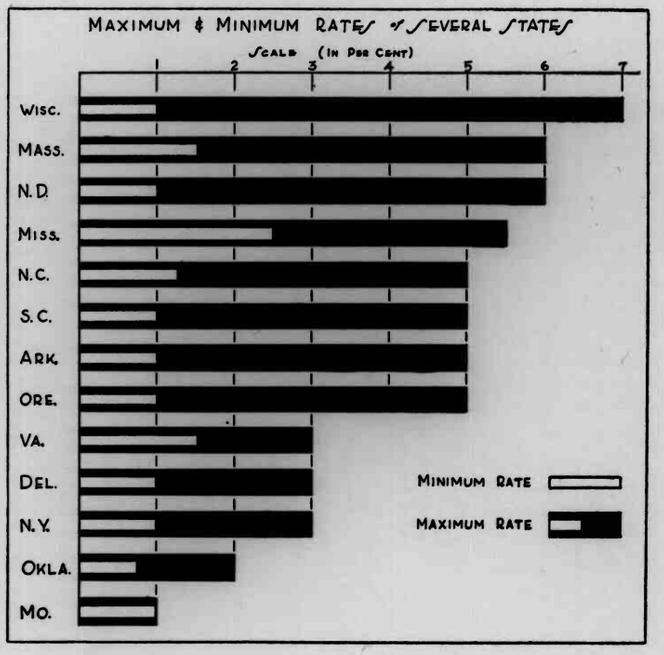
k—Mississippi allows an exemption of $400 for each dependent child under 18 or attending school or college, and an exemption of $200 for each dependent of a single person.

l—Age of dependency extended from 18 to 21 if child is in school.

SPECIAL NOTE.—The Supreme Court of Oregon has held that the 5% tax on gross income from intangibles received by individuals is invalid.—*Redfield et al* v. *Fisher et al.* 292 Pac. 813. (Oct. 24, 1930).

The Supreme Court of Washington has declared invalid the income tax on banks and financial corporations.—*Aberdeen Savings and Loan Association* v. *Chase.* 289 Pac. 536. (June 12, 1930).

CHART X—2



a brief discussion. The federal law has had much influence though it is not followed exactly anywhere. The new Georgia law provides for a tax at one-third of the federal rates, and attempts to follow the federal statute in other respects as closely as possible. South Carolina gave up a similar attempt, but New York, Connecticut, and various other states have made conscious attempts to follow the national law and practice in many matters, though not so closely as Georgia. This has various advantages and also disadvantges.

RATES

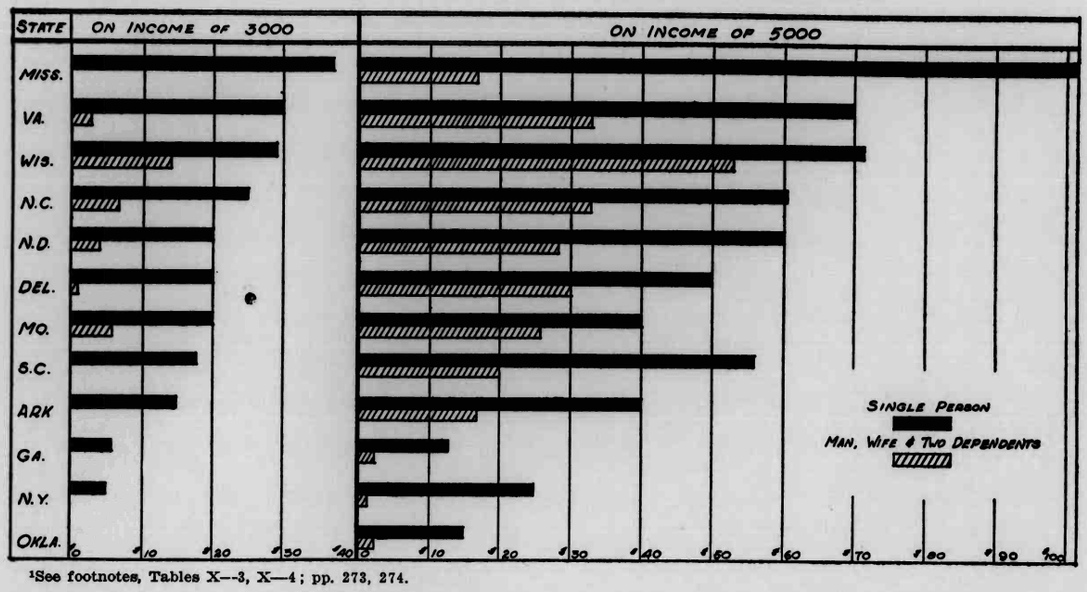
Nearly all of the state taxes on individual incomes are graduated, that is, they increase as the incomes become larger. Missouri is exceptional in having a flat rate of one per cent only, though the personal exemption makes this rate slightly progressive in operation. New Hampshire and Tennessee have flat rates also, but they apply to income from intangibles only. The rates of Massachusetts are peculiar in that they vary according to the kind of income but not according to its amount. For example, the rate is 1½% upon income from annuities, professions, employments, trade or business; 3% on gains from dealings in intangible personal property; and 6% on interest and dividends.

Oklahoma has the lowest minimum rate upon individual incomes. It is three-fourths of one per cent on the first $10,000. The most common minimum rate is 1% though the bracket to which it applies varies greatly in the different states. The most common maximum rate is 5%, though North Dakota has a rate of 6% upon amounts above $10,000. Wisconsin's regular rates reach 6% upon the excess of income above $12,000, and in addition she has the unique distinction of a surtax which is one-sixth of regular rates on taxable income in excess of $3,000. That is, her maximum rate is 7% upon the excess above $12,000. Wisconsin has levied surtaxes of different amounts on various occasions in the past when

EXPLANATION OF CHARTS X—3, X—4, X—5 (PAGES 254-56)

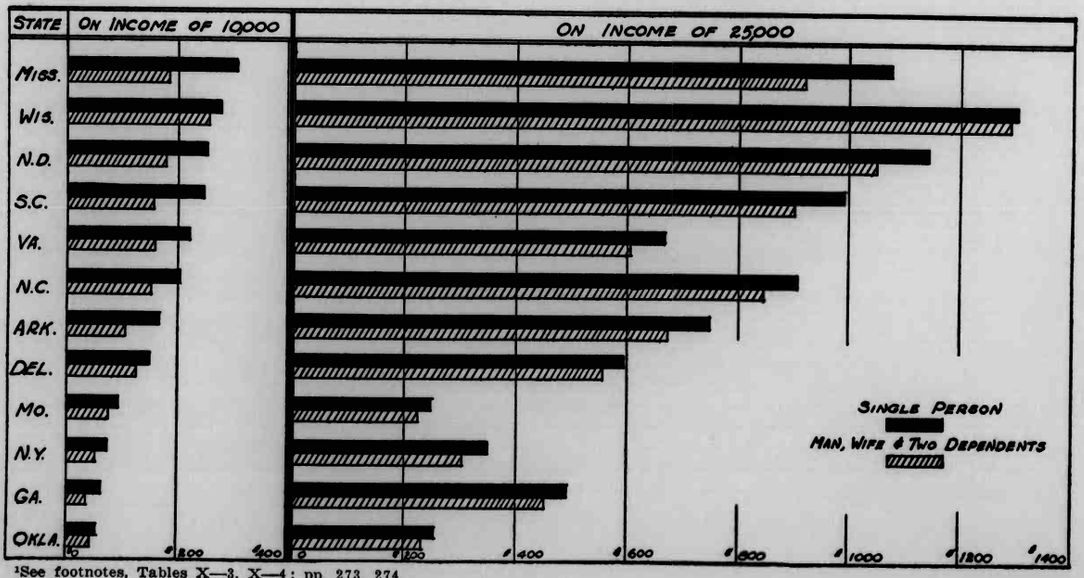
These charts show the relative amounts of taxes levied by different states upon net incomes of $3,000, $5,000, $10,000, $25,000, $50,000 and $100,000. Comparisons are made also of amounts of taxes due from a single person as compared with amounts due from a normal sized family of four for each of the states levying individual income taxes over a series of years. These charts are based on Tables X—3 and X—4, pages 273 and 274.

CHART X—3: TAXES PAYABLE ON INDIVIDUAL NET INCOMES (1930)[1]



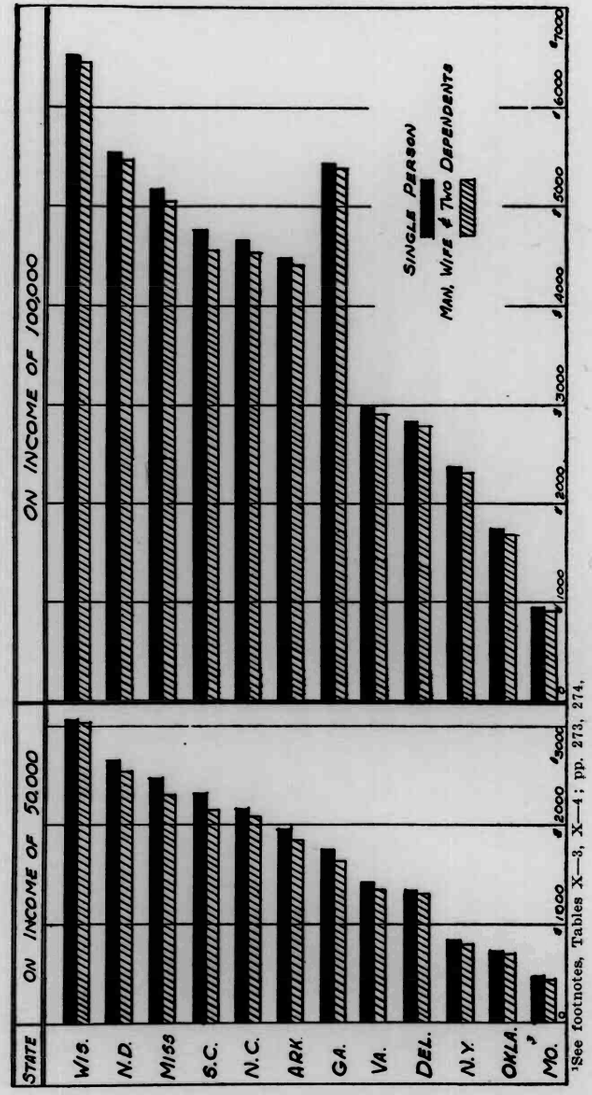
[1]See footnotes, Tables X—3, X—4; pp. 273, 274.

CHART X—4: TAXES PAYABLE ON INDIVIDUAL NET INCOMES (1930)[1]



[1]See footnotes, Tables X—3, X—4; pp. 273, 274.

CHART X—5: TAXES PAYABLE ON INDIVIDUAL NET INCOMES (1930)[1]



[1]See footnotes, Tables X—3, X—4; pp. 273, 274.

in need of additional revenues for special purposes, as for example, for soldiers' bonuses and for teachers' pensions.

In the case of income taxes on corporations, all states except Wisconsin and Mississippi have flat rates. These rates differ from state to state, for example, from 1% in Missouri to about 5½% on certain corporations in Massachusetts.[1] The graduated rates of Mississippi begin at 2½% and rise to 5½%; in Wisconsin they begin at 2% and rise to 6% on the excess above $6,000 and in addition there is a surtax of one-sixth the regular rates upon corporate incomes in excess of $3,000. This makes the maximum rate 7% upon corporate incomes in excess of $6,000.

It is generally agreed that income tax rates are elastic or flexible, that is, they can be changed to meet changing needs for revenue perhaps as easily as rates of any kind of tax, and with as few bad effects. The experience of Great Britain and of our own national government in the matter is well known. The experience of Wisconsin, New York, North Carolina and other states is also confirmatory of this elasticity. This feature of the income tax commends it to state officials who are concerned about adequate revenue; it may condemn the tax in the minds of taxpayers fearing higher levies.

The three Pacific Coast states introduced the "personal property tax offset" in their laws in 1929, that is, taxes on personal property are credited against income tax due. This feature was previously tried and abandoned by Wisconsin, Mississippi, Montana, and North Dakota. Such an offset aids in securing popular approval of the tax. It safeguards the revenue as an untried substitute tax might not and it appears equitable to those opposed to both income and property taxes on the same property. It is objected to by those favoring heavier taxes on funded incomes than on earned incomes and also on the ground that it reduces the yield without reducing the cost of administration. Furthermore, it interferes with the proper application of progressive rates.[2]

ADMINISTRATION

Good administration is of prime importance if any tax is to succeed. In no case is it more important than in connection with general taxes on net income. Modern business often involves large amounts of capital and it is not limited to state or even to national

[1]National Industrial Conference Board, *State Income Taxes*, Vol. II, p. 85.
[2]Ibid., p. 180.

boundary lines. The determination of net income and its allocation to particular areas is often a very complicated matter, too complicated for most of the untrained, locally elected assessors.

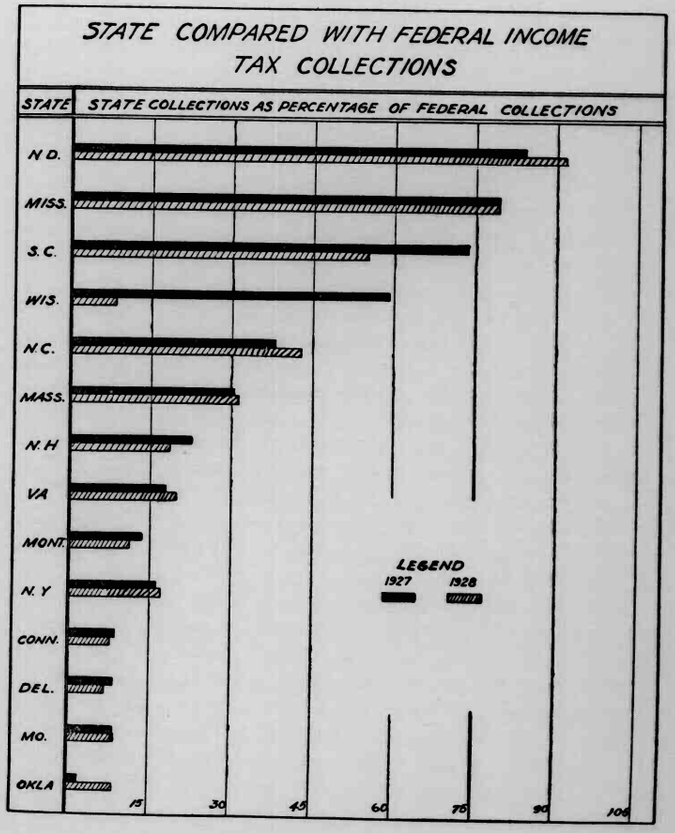
Wisconsin has been the leader in the modern state income tax movement, and her success has been due largely to the form of her administration. The main reason for the failure of such taxes in other states in earlier years had been that the administration was nearly always put in hands of local officials without proper state supervision. Wisconsin provided that her income tax should be administered under the supervision of the state tax commission, which was itself an appointive body. The tax commission was authorized to divide the state into districts and to appoint supervisors over each district. The assessors of income were put under civil service and their compensation and tenure was put in the hands of the tax commission. The commission divided the state into forty[1] districts and appointed an assessor of income over each district. They and their assistants supervised the assessment of individual incomes, the assessment of corporate incomes being kept in the hands of the tax commission itself at its central office. Everything possible was done to avoid friction, to secure competent assessors and auditors, to make all appointments and tenure depend upon merit, and to reduce political influence in administration to the lowest minimum. To the surprise of everyone except the people of Wisconsin the new tax succeeded.

Other states adopting income taxes have been successful or not largely in proportion to the degree in which they have followed the lessons of Wisconsin's administrative experience. The yields in Massachusetts and New York have been most conspicuous, while those of Missouri, Oklahoma, and other states maintaining the old decentralized systems of administration have been much below what could be expected in states of such wealth if better methods were followed.

It should not be forgotten, however, that strictly agricultural states which have comparatively few and unimportant centers of industry, commerce and finance, cannot expect large yields from an income tax, even though it may be well administered. For example, even a well supervised administration in North Dakota can not secure large amounts from an income tax with ordinary rates and exemptions, though it can secure about as much as is collected by the federal government.

[1]Now reduced to 23.

CHART X—6



NOTE ON CHART 6

Chart X—6 is based on Tables X—13 and X—14, pages 278, 279. Collections shown for Wisconsin in 1928 are abnormally low because of a change in the law relative to date for payment of taxes.

If a large part of the income of a state goes to non-resident individuals or corporations, as is the case with West Virginia, administration is made more difficult but Wisconsin and some other states appear to have met this difficulty with fair success.

The proper administration of the income tax is so important that it seems worth while to add the following suggestive details:

Wisconsin employs seven auditors in the central office to assess current corporation returns and to supervise audits made by field auditors. There are nineteen field auditors employed on corporation audits. A force of ten field men audit the returns of individuals, partnerships, and fiduciaries. The income tax assessors in Wisconsin spend from one-third to about one-half their time supervising local property tax assessors. The National Tax Association Committee on the model plan of state and local taxation, in calling attention to Wisconsin's successful income tax, lays no small stress on the work of the district assessors, who are "bringing the administration of the law home to the people of the several districts." This committee commended Wisconsin, too, for utilizing the district income tax assessors as supervisors of local property tax assessors within their districts.[1] These district assessors, it should be kept in mind, are appointed by a central state authority and are responsible to that authority. They may be moved from one district to another if it seems desirable, though this is not done frequently. They are not dependent on the votes of the people of their districts.

Massachusetts followed Wisconsin in dividing the state into districts and in putting each district under an income tax assessor appointed by a central authority. A staff of auditors is employed by the state, some stationed in the main office and others in district offices. Massachusetts' state income tax unit prepares tax forms to be sent out, and from data received on them concerning taxpayers' incomes, it assesses the income tax, bills the taxpayer, collects the taxes and distributes them back to the localities. The collection section is used also for other tax collections. The income tax unit has a "mobile force" of about sixty persons who aid people in filing returns at the beginning of the year. Then the same crew is put on the assessing of the tax, receiving collections, and the gathering of statistics, in turn, as these functions become necessary.

New York has two bureaus under the state tax commission engaged in income tax work, one for the personal income tax and the other to collect the corporation tax. New York has seven districts, each under a district director appointed by the Commissioner of Taxation and Finance. All employees in New York are appointed under civil service rules from eligible lists made up of those who have qualified by competitive examination.

[1]National Tax Association, *Proceedings*, 1919, pp. 465-66, quoted in National Industrial Conference Board, *State Income Taxes*, Vol. II, p. 134.

In each of these three states where the income tax has been best administered and where yields have been greatest, employees are selected on a basis of merit and fitness. They are trained in accounting and understand the law. They are coordinated throughout the state and supervised by a central state tax administration unit. In each of these states, too, there is a field auditing force.

In Massachusetts the tax officials calculate the tax due from information which each taxpayer submits under oath regarding his own income. The other states follow the practice of the federal government in allowing the taxpayer to calculate his own tax. The latter method eliminates a great deal of detail work, but necessitates careful auditing. Massachusetts' cost of administration is now appreciably higher in proportion to tax collected than that of New York, probably in part because Massachusetts officials compute the tax instead of requiring the taxpayer to do this and in part because Massachusetts costs are spread over a smaller total yield than New York collects.

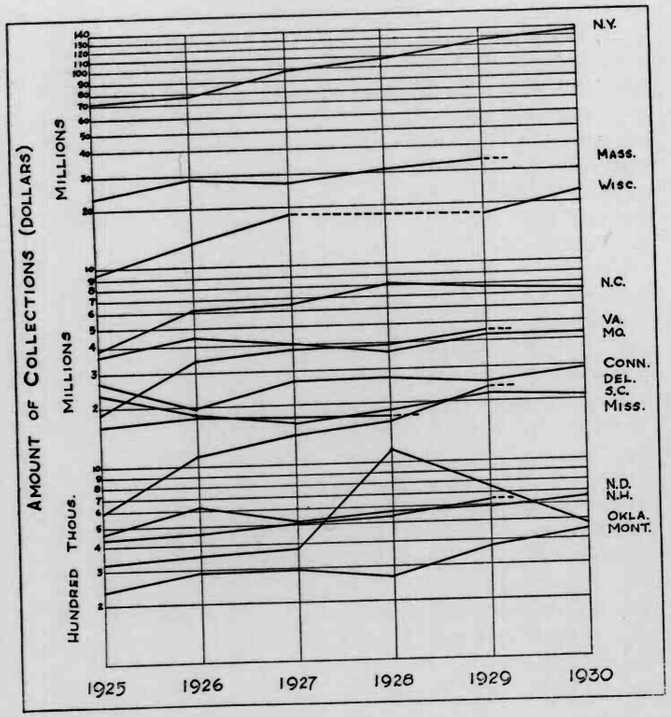
In New York, collection at the source is used for the income tax from non-residents. Wisconsin compels corporations to report income paid to others, in order to permit them to deduct such amounts as expense in their own returns and this provision furnishes a check on the individual's report of his income. Massachusetts requires all payments of interest, dividends or wages to be reported. Other states have followed the system of obtaining information at the source of a taxpayer's income as a check on his return. The best results are secured where income tax assessors appointed by the tax commissioner maintain thorough supervision over districts. These assessors or supervisors are able to keep in closer touch with the individuals in their districts than could a centralized staff alone, and at the same time their positions are not dependent on the taxpayers of the districts as is the case in Missouri and Virgina.

Cost of Administration

The cost of administration of the income tax varies greatly in different states and in different years. It is difficult to get accurate

CHART X—7

GROWTH OF INCOME TAX COLLECTIONS—IN SELECTED STATES—
LOGARITHMIC SCALE SHOWING AMOUNT AND
RATIO OF INCREASE



comparative figures for many states. Perhaps the most common cost is between two and three per cent. New York reports costs running from 3.4% to .79%; North Dakota from 6.34% to 1.73%; Oklahoma from 3.5% to 1%; Wisconsin from 2.6% to 1.3% in recent years; North Carolina about 1%. The cost of administering the tax upon corporations is usually much less than in the case of the individual income tax. For example, since 1924 New York reports costs of 2.47% to 1.16% for individual income taxes, and .26% to .21% for corporation taxes, the higher figures being for the earlier years. It seems that percentage costs usually decrease as collections increase in amount, though this may not always be the case. Sometimes more thorough auditing increases collections sufficiently to justify its expense, though the percentage cost of collection may be raised thereby. In general, costs show a tendency to decline as experience is gained and administration is improved.

TABLE X—2: STATE INCOME TAX—COST OF ADMINISTRATION [a]

(Individual and Corporation)

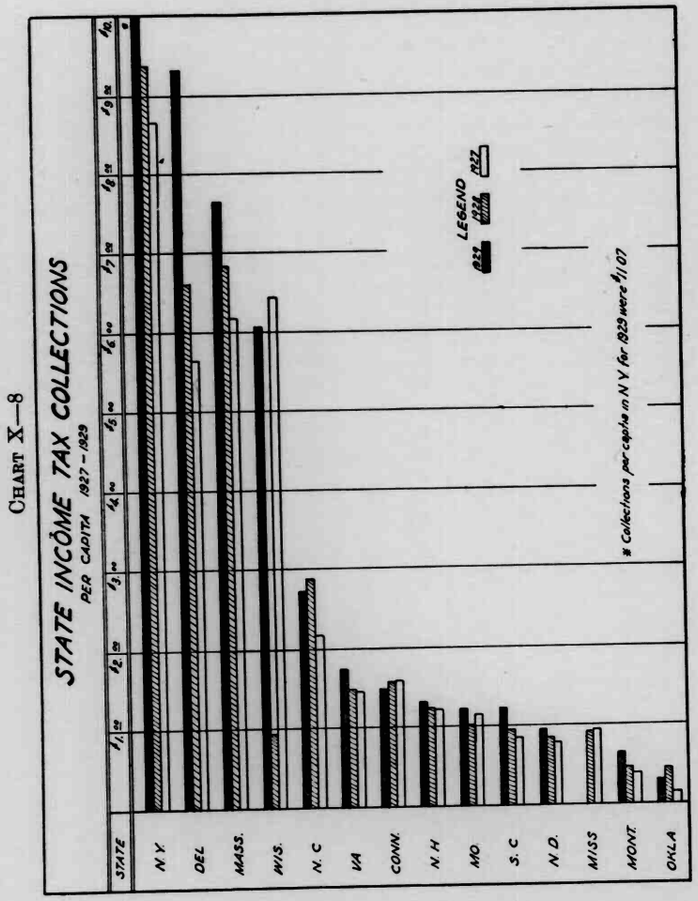
	Per Cent					
	1925	1926	1927	1928	1929	1930
California	..	..	..	..	.65	..
Connecticut	*b*	*b*	*b*	*b*	*b*	*b*
Massachusetts	2.6	2.2	2.25	2.1	1.8	..
Mississippi	2.49	2.53	2.47	2.48	..	..
Missouri *c*	3.0	3.0	3.0	3.0	3.0	..
Montana	1.8	1.44	1.49	1.7	1.23	.95
New Hampshire	1.5	2.0	2.04	1.6	1.9	..
New York *d*	2.47	1.90	1.44	1.16	.79	..
North Carolina	..	..	1.1	.87	.99	1.13
Oklahoma *e*	..	..	..	..	..	3.5
South Carolina	2.63	3.82	5.94	3.58	2.70	2.89
Virginia	6.00	3.11	3.24	3.35	3.25	..
Wisconsin	2.58	1.69	1.30	..	..	..

a—Compiled from data received by letter and questionnaire from various state officials. Incompleteness of table is due to the fact that states do not always allocate expenses.
b—Approximatly 3/16 of one percent per year.
c—Approximate.
d—Corporation income tax, from 0.21% to 0.26%.
e—$14,000 per year.

DISTRIBUTION OF PROCEEDS

When Wisconsin first enacted her income tax, the state retained only 10% of the collections. It was expected that a large part of this fraction would be needed for defraying the cost of adminis-

CHART X—8



NOTE ON CHART 8

Chart X—8 is based on Table X—12, p. 278. Collections shown for Wisconsin in 1928 are abnormally low because of a change in the law relative to date for payment of taxes. The solid bar for 1927 represents a normal year.

tration. With most of the taxes going to the localities, it was found in this state, as well as in New York and elsewhere, that some small cities with important industries had more revenue than they knew what to do with, while other sections were badly in need of funds. In more recent years, Wisconsin has amended her law so that now the state receives forty per cent, the county of origin ten per cent, and the localities of origin fifty per cent.

New York first deducts $250,000 for refunds. Of the remainder, 50% goes to the general fund of the state and 50% to the counties, in proportion to the assessed valuation of real property in each. This allocation was made to encourage full valuation of property by local assessors. In Delaware all the proceeds go to the school districts. In Massachusetts, part goes to the localities under the Education Act and the remainder to the cities and towns in proportion to the contribution to the state tax. In most states, however, all or nearly all of the income tax goes to the state. This permits some relief in the way of property taxes for state support. In some states, one of the main purposes of the income tax seems to be to have a larger central fund with which to aid education, especially in the districts that are financially weak.

CONCLUSIONS

Experience with state income taxes in the United States has now been sufficiently extensive to justify some fairly definite and practical conclusions. Such taxes can be administered fairly well under good centralized supervision reasonably free from political pressure. Under decentralized administration similar to that by which property taxes are usually administered, the income tax is almost certain to be very inequitable and to yield only a fraction of what it should.

Some states have gotten a large part of their revenues for state purposes from the income tax, thus leaving the property tax wholly, or almost wholly, for local purposes. These states and some others have been enabled to give much greater aid to education, especially to financially weak districts, out of funds yielded by income taxes.[1]

Whether the adoption of income taxes lightens other taxes, or results in additional taxes, is difficult to say. The cost of government has been increasing in states not having income taxes as well as in those having them. It cannot be said that the income tax has been the determining factor in the amount of the increase in each case. It seems probable that the general property tax would have

[1]For comparative yields, see pp. 262, 264, 274-84.

been heavier than it now is in a number of states, had not the income tax assumed part of the burden.

The essence of the matter is that taxes are determined by expenditures. If a community or state insists on spending more, its taxes must increase. It is then a question of distributing these expenditures among various taxpayers. They may be distributed equally to everybody (poll taxes) or according to property owned, or according to amount of business done, or according to net income, or in various other ways. The income tax is not an increase in expenditures, but rather a method of distributing the cost of expenditures. Many agree with the National Industrial Conference Board that "One of the strongest arguments in favor of the income tax is that it can be made to rest upon the taxpayers with greater equality of burden than any other tax."

The charge that the income tax is bad for business and drives industries from a state does not seem convincing, except to those who want to be convinced.[1] Other factors than taxes are often more important in determining the location of industries. Furthermore, if a state has a certain amount of funds to raise, an industry might just as soon pay part of its share in income taxes as to pay equal or greater aggregates in heavier property or franchise taxes. Net income taxes, rather than property taxes, should be particularly attractive to new industries. While they are getting on their feet, they will have little or no income tax to pay; when they later become prosperous, the wherewithal to pay these taxes will be available. Such taxes are quite different from property and gross sales taxes which have to be paid for years of heavy losses as well as for years resulting in profits.

Furthermore, an income tax is one of the best forms of privilege tax. What can measure the value of a privilege better than the income it brings in? An income tax with proper exemptions and graduated rates is also one of the best of luxury taxes. It automatically defines as luxuries all those expenditures beyond the exemption, that is, beyond the fair minimum of subsistence or standard of living. It may not make the proper allowance for savings.

It is not argued that income taxes are perfect; they have their weak as well as their strong points. It has been said that they penalize the efficient and let the inefficient go free. In a sense this is true of most taxes. No Solomon has ever yet shown how to get

[1] *Wisconsin Industry and the Wisconsin Tax System*, by George L. Leffler and Harold M. Groves, published by the University of Wisconsin since the above was written, is an unusually thorough study of this matter and bears out the conclusions here stated.

the bulk of the state revenues from have nots and ne'er do wells. It is difficult to get blood from a turnip. A government supported by the inefficient would be so poor a government that the real leaders, the efficient, would rather have a good government even if they alone had to support it. It would pay them in the long run to do so. In fact taxes are not essentially *penalties*, as some seem to think, rather they are *contributions to a cooperative organization* that is worth many times its cost. It makes possible profitable business, it safeguards our property and even our very lives. It is poor economy to have poor government, and while we should like to encourage all to be efficient, those who are efficient could not afford to leave the government support or direction to the inefficient, to the ne'er do wells, even if that were possible. Those with most ability to pay usually have also most ability to benefit from good government. That is why the income tax accords so admirably with both benefit and ability principles of taxation.

If there is still any one who objects to a net income tax on the ground that it brings no revenue from the inefficient who nevertheless benefit from government services, it should be remembered that the income tax is but one tax in the whole tax system. The property tax is usually the heaviest of all taxes and falls upon the inefficient as well as the efficient, upon those who lose as well as upon those who gain. The proper combination of income and property taxes has advantages over either one used alone. Such a combination certainly takes cognizance of both ability to pay and benefit received. So long as the property tax is much the heaviest of all taxes in the system, it cannot be argued that inefficient business enterprises contribute nothing for the benefits which they receive from government.

Securing good administration is another difficulty that income taxes share in common with property and other taxes. It has already been suggested that proper administration is an unusually important accompaniment of a successful income tax. Unquestionably it would be better to have no income tax in this State than to have one with as decentralized an administration as that of the existing property tax. Even with the best of administrations, there are sufficient difficulties of determining income and its allocation.

Another weakness of income taxes has to do with stability of yield. Net income fluctuates more than gross income, gross sales, or value of property. Where a state is dependent upon a certain tax for a large part of its support, it is very important that the yield

shall not fluctuate greatly from year to year. This difficulty could be met by establishing a reserve in good years for use in poor years, somewhat as is done by corporations. But financial history is replete with illustrations of extravagance where legislators and other officials could not resist the temptations of abundant funds.

Wisconsin has recently adopted the practice of using the average income of the last three years instead of the income of a single year. This is a modification of former British practice and will certainly help to smooth out the fluctuations in revenue, and will also be more equitable to taxpayers whose income varies greatly from year to year. Nor does this method increase administrative difficulties greatly, as some seem to think.

Another way to meet the difficulty of fluctuating revenues would be to vary the rate of the income tax, much as the property tax is varied from year to year to adjust revenue to needs. This would cause highest rates in years of lowest incomes. In the worst years the higher rates might be not only heavy but also very disturbing psychologically and politically.

As a matter of fact, under the present property tax, during poor years the property tax rates actually take a large per cent of income. In some cases they take more than one hundred per cent of the net for the year. This causes much complaint and even agitation against high taxes. Even more dissatisfaction and agitation might be caused by income tax rates sufficiently high to bring in the same amount of revenue. If property normally brings in 6% net, then a property tax of 1% is equivalent to an income tax of 16 2/3%. But most people who would think little of a property tax rate of 1% would not be psychologically prepared to uphold a net income tax with rates as high as 16 2/3%, although it is the exact equivalent of the property tax, under the conditions assumed and, besides, it would distribute the cost of government services much more equitably among different taxpayers.

What West Virginia Could Expect from an Income Tax

We may conclude that, with a good system of administration, there is no reason why West Virginia could not achieve results comparable to those achieved with income taxes in other states similarly situated. She could not reasonably expect to secure at onee as large yields as the richer industrial states.[1] Most farmers and, in fact, the great mass of people pay very small or no income taxes. The great bulk of the yield comes from businesses, espe-

[1]See pp. 48, 49 in addition to tables in this chapter, including appendix.

cially from corporations and from the wealthy owners of business enterprises. Substantial amounts come from retired owners of capital, more or less from intangibles. With rates and exemptions similar to those of North Carolina, South Carolina, or Mississippi, and with first class centralized administration, West Virginia should be able to secure from $3,500,000 to $4,500,000 from a general income tax in a normal year. With Virginia exemptions, rates and administration, not so much would be raised; with Wisconsin exemptions, rates and administration, the yield could probably be brought to $4,500,000 or $5,500,000 in a normal year, after a few years of experience. It should be remembered, however, that almost no tax approaches its normal yield until it has been in operation a few years, and furthermore, that good administration is extremely important. Of course, this tax will yield more in prosperous than in poor times. The experience of other states has shown substantially increasing income tax revenues from year to year with the growth of industry and with increasing efficiency of administration.

If it should be deemed advisable to adopt an income tax in this State, its administration would be greatly strengthened by securing general approval of it. While it seems probable that a general income tax could be framed to meet the requirements of the state constitution, it would be in a much stronger position both legally and administratively if specifically authorized by referendum.

This might necessitate some state wide education on the subject and also some delay in adoption, but should be worth the extra cost. Confidence can be put in the verdict of the voters if they understand. The vociferous opposition of a few, however, should not be mistaken for general opinion. Frequently a small minority makes a great noise.

With equitable distribution, as well as efficient administration, such a tax should serve to shift part of the present burden from weaker to stronger shoulders without any increase in total taxes. If on the other hand, more funds are really needed, a good income tax should enable them to be obtained from those most able to pay without any additional pressure upon those now most heavily burdened.

GROSS SALES VERSUS NET INCOME TAXES

Should West Virginia exchange its occupation taxes—commonly called gross sales taxes—for a general net income tax? Here the discussion will be confined to a brief statement of major issues

rather than to a complete listing of all advantages and disadvantages of each tax.

The chief justifications of the present gross sales taxes are simplicity of administration and relative stability of yield. These virtues cover a multitude of sins. Adequacy of yield is the prime requisite of any tax system; stability is somewhat less essential but very important. Where a single set of taxes, like those on gross sales in West Virginia, form a large part of the total state revenue, it is extremely important that the yield be stable. Otherwise, state institutions and services dependent upon the general fund of the state will find themselves badly handicapped. Large fluctuations are very unfortunate. Surpluses tend to encourage unjustifiable new undertakings and deficits make impossible the proper maintenance of many very meritorious established services. The gross sales tax has a further important claim to retention in this State, in that it has been in operation nearly a decade, it is very inexpensive to administer, and everybody knows what to count on. In the existing situation, the claims of this tax cannot be dismissed lightly.

But on the basis of equity there is no comparison between a good net income tax and a general gross sales tax. By almost common consent, net income is one of the most equitable, and gross sales one of the most inequitable, bases that could be chosen. The most serious valid objection to a net income tax is that the tax base fluctuates more than it does in the cases of gross sales and property taxes. Perhaps the most feasible method of meeting this difficulty is the use of the three-year average. Great Britain varies her income tax rates from year to year so as to adjust revenue to needs, much as our local bodies vary the property tax levy. It has not been common for our states to vary income tax rates for this purpose, but there is no reason why it might not be done, though the three-year average, used alone or in combination with adjustable rates, would probably be more satisfactory. As already pointed out, if $4,000,000 must be raised, the question is, what is the most equitable and feasible method of distributing the burden. Certainly a distribution according to net income, even though it be a larger per cent of income in a poor year than in a good one, is much more equitable than a distribution according to gross sales. All taxes have to be paid from income; why not allocate a small fraction of the total according to income, which is generally considered to be the fairest of all bases?

The income tax used to be objected to on the ground that it is difficult to ascertain net income, that such income is capable of manipulation by devious accounting methods, and therefore that evasion is easy. There was some point to this criticism twenty years ago, before the establishment of the federal income tax. But the experience of the people with the federal tax, the general installation of approved accounting systems, the provisions of the federal law permitting state officials to examine corporate income returns, and improvements in state administrations have obviated most of the serious obstacles in this connection. It is true that if the administration is decentralized and weak, as in some states, results will not be satisfactory. But progressive states have shown that state income taxes can be administered efficiently and economically with proper supervision. This is especially true of the part of the tax applying to corporations.

A consideration that should not be overlooked is that the collateral effects of a good income tax may be worth as much as the direct results. It has been claimed that the by-products of the Wisconsin tax in the way of improvements in the administration of the general property tax were thus worth a much as the yield of revenue. When the new tax was about to be established there were no vested interests in the form of jobs, tradition, or "home rule," and political pressure had not yet handicapped the tax commission or the legislature. So the law making body felt free to give the commission extensive powers to set up a really efficient, centralized, non-political administrative organization. After the tax was established, during the seasons of the year when this organization was least busy administering the income tax, it helped with the property tax throughout the state. The supervision of the property tax administration was thus gradually improved and in time was brought to a point of efficiency that otherwise would have been very difficult if not impossible to attain.

Theoretically it would have been possible for the legislature to have set up a thorough going system of centralized state supervision of local assessments without the adoption of an income tax. But there were too many obstacles in the way to make such a radical and sudden change politically expedient. It was easier to achieve the same end by setting up an efficient administration for a *new* general tax and then gradually extend the effective supervision over the other taxes of the state, particularly over the general property

tax, the most important of all. West Virginia might well consider this possible administrative by-product of a general income tax.

As a matter of procedure it might be expedient for West Virginia not to adopt an entirely modern income tax at the present time. It might be better to provide for a general excise tax on all businesses, trades, professions, and occupations, measuring the tax by net income, granting a uniform exemption and levying a flat rate. This would be far more equitable than the gross sales tax. There would be little doubt of the constitutionality of such an excise tax and it would be relatively easy to administer. Such a tax would be similar to the excise tax which West Virginia had prior to 1921, but it would be different in that it would apply to all businesses and occupations, not merely to corporations. Its "spread" or base would be wide. The rate should be high enough to yield the needed $4,000,000, that is, to make it a complete substitute for the gross sales tax. In normal years the rate would probably have to be five per cent or more, but it should be adjustable in order to raise the required amount each year.[1] The justification for this sort of a rate has been explained earlier in this chapter. Ample provision should be made for thorough state administration.

Such an excise tax would not be too radical a departure from present and previous taxes. In a few years, after experience has been gained and administration perfected, the Legislature or the people of the State can then decide whether or not they want to expand this tax into a wholly modern general income tax, applying to all incomes, with different exemptions and graduated rates. The excise tax applying to all businesses and occupations would yield most of the revenue that would be gotten by a general income tax and the administrative cost would be low. A general income tax, however, added to the general property tax would make a better balanced revenue system for the State. It is to be remembered that the general property tax furnishes by far the greater part of total state and local revenues; that a gross sales or net income tax usually furnishes only a fraction of the total. Property taxes often fail to give proper consideration to ability to pay and income taxes fail to take sufficient consideration of governmental benefits. The two together form a better balanced system than either alone.

The retention or non-retention of the gross sales tax is important but not the most important tax problem before the State. It certainly should not be repealed without provision for some better

[1]For data on relations between gross sales, gross income, and net income, see pp. 221, 222, 239-41.

source that will bring in adequate and fairly stable revenue. Besides the matters of equity and administrative feasibility discussed above, there is the oft discussed question of the effect of alternative taxes upon the development of industry in West Virginia. The State is rightly concerned about this matter.

It has already been pointed out how an income tax, or an excise tax based on net income, is more effective than a gross sales tax in encouraging the establishment and development of promising new industries. They are not burdened with heavy income taxes while getting on their feet. On the other hand, a gross sales tax is probably more effective in killing off declining old industries as well as struggling new ones, while encouraging flourishing established enterprises. Neither tax is usually large enough, however, to be of very vital importance in this connection. At present the general property tax is far more important than either in this respect. Consequently its improvement is vastly more important than any other tax matter. Hence, discussion of lesser taxes should not be permitted to distract the attention of the State and of the Legislature from the most serious and weighty problem, that of improveing property tax administration.

Appendix to Chapter X

TABLE X—3: PERSONAL INCOME TAXES (STATE) DUE FROM A SINGLE PERSON (1930)[a]

State	Amount of Net Income					
	$3,000	$5,000	$10,000	$25,000	$50,000	$100,000
Arkansas	$15	$40	$165	$740	$1,975	$4,475
Delaware	20	50	150	590	1,340	2,840
Georgia	6	13	64	484	1,724	5,451
Mississippi	37	102	312	1,072	2,447	5,197
Missouri	20	40	90	240	490	990
New York	5	25	75	350	850	2,325
North Carolina	25	61	202	912	2,162	4,662
North Dakota	20	60	250	1,140	2,640	5,640
Oklahoma	..	15	52	255	740	1,740
South Carolina	18	56	240	990	2,240	4,740
Virginia	26	64	207	657	1,407	2,907
Wisconsin	29	72	276	1,309	3,059	6,559

a—Compiled from data received by letter and questionnaire from various state officials. This table contains small revisions for Virginia made too late to incorporate in charts on pp. 254-56.

TABLE X—4: PERSONAL INCOME TAXES (STATE) DUE FROM A MAN, WIFE, AND TWO DEPENDENTS (1930)[a]

State	Amount of Net Income					
	$3,000	$5,000	$10,000	$25,000	$50,000	$100,000
Arkansas	$..	$17	$111	$ 668	$1,885	$4,385
Delaware	6	26	122	548	1,298	2,798
Georgia	..	3	36	441	1,681	5,407
Mississippi	..	17	186	918	2,293	5,043
Missouri	6	26	76	226	476	976
New York	..	2	52	304	804	2,256
North Carolina	7	33	153	842	2,092	4,592
North Dakota	4	28	176	1,044	2,544	5,544
Oklahoma	..	3	40	231	708	1,708
South Carolina	..	20	160	900	2,150	4,650
Virginia	..	21	137	587	1,337	2,837
Wisconsin	14	53	257	1,290	3,040	6,540

a—Compiled from data received by letter and questionnaire from various state officials. This table contains small revisions for Delaware and Virginia which were mate too late for inclusion in charts on pp. 254-56.

TABLE X—5: STATE INCOME TAX COLLECTIONS—INDIVIDUALS[a]
(In Thousands of Dollars)

State	In Thousands of Dollars					
	1926	1926	1927	1928	1929	1930
Delaware	$ 583	$ 1,034	$ 1,377	$ 1,611	$ 2,272	$ ..
Massachusetts	16,959	22,097	21,115	24,149	27,720	..
Mississippi	713	628	645	637	..	..
Missouri	2,164	2,602	2,418	2,219	2,551	2,631
New Hampshire *c*	434	453	502	563	595	635
New York	33,767	41,179	53,952	63,607	83,019	81,655
North Carolina	978	1,734	1,703	2,354	2,476	1,699
North Dakota *b*	220	302	252	269	307	..
Oklahoma	318	336	362	1,089	721	458
South Carolina	704	484	480	343	399	437
Tennessee *c*	..	..	..	..	..	572
Virginia	..	1,640	2,045	2,127	2,410	..
Wisconsin	3,261	5,252	6,290	2,761*d*	7,660	..

a—Compiled from data received by letter and questionnaire from various state officials.
b—Approximate.
c—On intangibles only. The act was passed in 1929.
d—Change in fiscal year.

TABLE X—6: STATE INCOME TAX COLLECTIONS—CORPORATIONS[a]
(In Thousands of Dollars)

State	In Thousands of Dollars					
	1925	1926	1927	1928	1929	1930
Connecticut	$2,627	$1,996	$2,587	$2,623	$2,471	$ ..
Massachusetts	5,048	5,540	5,063	5,052	5,055	..
Mississippi	936	1,108	983	991	..	..
Missouri	1,443	1,734	1,612	1,479	1,701	1,754
Montana	215	289	281	249	345	..
New York	37,901	35,560	44,912	44,656	55,590	..
North Carolina	2,774	4,349	4,637	5,842	5,210	5,591
North Dakota	220	302	252	269	307	..
South Carolina	1,506	1,360	1,078	1,419	1,864	1,666
Virginia	..	1,713	1,677	1,689	2,015	..
Wisconsin	5,925	8,569	12,485	*b*	10,224	12,004

a—Compiled from data received by letter and questionnaire from various state officials.
b—Change in fiscal year.

TABLE X—7: STATE INCOME TAX COLLECTIONS—TOTAL INDIVIDUAL AND CORPORATION[a]
(In Thousands of Dollars)

State	In Thousands of Dollars					
	1925	1926	1927	1928	1929	1930
Connecticut *b*	$2,627	$1,996	$2,587	$2,623	$2,471	$2,984
Delaware *c*	583	1,034	1,377	1,611	2,272	..
Massachusetts	22,007	27,637	26,178	29,201	32,775	..
Mississippi	1,649	1,736	1,645	1,628	..	..
Missouri	3,606	4,336	4,030	3,698	4,252	4,384
Montana *b*	215	289	281	249	340	441
New Hampshire *c*	434	453	502	563	595	635
New York	71,668	76,738	98,865	108,262	127,880	137,245
North Carolina	3,751	6,084	6,340	8,196	7,686	7,291
North Dakota	440	604	505	538	613	..
Oklahoma *c*	319	336	362	1,089	721	458
South Carolina	2,210	1,845	1,559	1,762	2,263	2,104
Tennessee *e*	533*f*	915*f*	724*f*	727*f*	..	572
Virginia	1,710	3,353	3,721	3,816	4,425	..
Wisconsin	9,185	13,820	18,775	2,761*d*	17,884	21,447

a—Compiled from data received by letter and questionnaire from various state officials.
b—Income tax applies only to corporations.
c—Income tax applies only to individuals.
d—Change in fiscal year.
e—Act passed in 1929. Tax on intangibles only.
f—From 3% excise tax on corporations, except that receipts shown for 1930 are from 5% tax on individual incomes from intangibles only. Tennessee excise tax data are from N. I. C. B., *State Income Taxes*, Vol. II. p. 154.

TABLE X—8: STATE INCOME TAX IN RELATION TO TOTAL REVENUE [a]

State	Total State and Local Taxes in Thousands	1926 Income Taxes in Thousands	Income Tax % of Total Taxes	Total State and Local Taxes in Thousands [b]	1927 Income Tax in Thousands	Income Tax % of Total Taxes
Connecticut	$82,541	$1,996	2.42	$87,351	$2,587	2.96
Delaware	11,199	1,034	9.23	11,265	1,377	12.22
Massachusetts	270,333	27,637	10.22	277,906	26,178	9.42
Mississippi	50,013	1,736	3.47	53,963	1,645	3.05
Missouri	126,552	4,336	3.43	132,214	4,030	3.05
Montana	29,007	289	9.96	28,430	281	9.88
New Hampshire	23,220	453	1.95	24,013	502	2.09
New York	798,520	76,738	9.61	869,288	98,865	11.37
New Carolina	80,698	6,084	7.54	84,564	6,340	7.50
North Dakota	33,443	604	1.81	32,622	505	1.55
Oklahoma	84,626	336	.40	85,580	362	4.23
South Carolina	39,731	1,845	4.64	40,693	1,559	3.83
Virginia	65,939	3,353	5.09	72,374	3,721	5.14
Wisconsin	143,855	13,820	9.61	156,923	18,775	11.96

a—Compiled from data received by letter and questionnaire from various tax officials.
b—Includes property and other taxes, and licenses and permits.

TABLE X—9: RATIO OF STATE INCOME TAXES COLLECTED TO INCOME OF THE PEOPLE OF THE STATE [a]

State	Per Cent				
	1925	1926	1927	1928	1929
Connecticut	.21	.15	.19	.18	.16
Delaware	.43	.72	.88	1.02	1.38
Massachusetts	.68	.85	.80	.88	1.07
Mississippi	.33	.38	.37	.37	..
Missouri	.18	.21	.20	.18	.20
Montana	.05	.07	.06	.05	.07
New Hampshire	.16	.16	.17	.19	.21
New York	.73	.73	.89	.91	1.00
North Carolina	.36	.56	.55	.74	.75
North Dakota	.09	.17	.12	.12	.16
Oklahoma	.03	.03	.03	.10	.06
South Carolina	.52	.45	.36	.44	.57
Virginia	.22	.41	.41	.41	.50
Wisconsin	.49	.65	.85	.12	.77

a—These figures are based on the amounts of income tax collected as given in Table X-7 and the estimates of income by states by the Brookmire Economic Service. See Table III-9, page 48.

TABLE X—10: STATE INCOME TAX, PER CAPITA COLLECTIONS—INDIVIDUAL [a]

State	Individual					
	1925	1926	1927	1928	1929	1930
Delaware	$2.50	$4.31	$5.67	$6.60	$9.31	$ ..
Massachusetts	4.09	5.26	4.98	5.63	6.46	..
Mississippi	.40	.35	.36	.36	..	..
Missouri	.62	.74	.69	.63	.73	.81
New Hampshire	.96	1.00	1.10	1.23	1.30	..
New York	3.03	3.64	4.72	5.51	7.19	7.07
North Carolina	.35	.61	.59	.80	.84	.54
North Dakota	.34	.47	.39	.42	.48	..
Oklahoma	.14	.14	.15	.45	.30	..
South Carolina	.39	.27	.26	.18	.21	.23
Virginia	..	.65	.80	.83	.94	..
Wisconsin	1.15	1.82	2.16	.93*b*	2.59	..

a—Compiled from data received by letter and questionnaire from various state officials and from U. S. Census estimates of population.
b—Change in fiscal year.

TABLE X—11: STATE INCOME TAX, PER CAPITA COLLECTIONS—CORPORATION [a]

State	Corporation				
	1925	1926	1927	1928	1929
Connecticut	$1.67	$1.24	$1.58	$1.57	$1.48
Massachusetts	1.22	1.32	1.19	1.18	1.18
Mississippi	.53	.62	.55	.55	..
Missouri	.42	.50	.46	.42	.48
Montana	.32	.42	.39	.45	.63
New York	3.40	3.15	3.93	3.87	4.81
North Carolina	.99	1.52	1.60	1.99	1.88
North Dakota	.34	.47	.39	.42	.48
South Carolina	.84	.74	.58	.76	1.00
Virginia	..	.68	.66	.67	.78
Wisconsin	2.08	2.97	4.28	*b*	3.46

a—Compiled from data received by letter and questionnaire from various state officials and from U. S. Census estimates of population.
b—Change in fiscal year.

TABLE X—12: STATE INCOME TAX, PER CAPITA COLLECTIONS—INDIVIDUAL AND CORPORATION[a]

State	Individual and Corporation				
	1925	1926	1927	1928	1929
Connecticut	$1.67	$1.24	$1.58	$1.57	$1.48
Delaware	2.50	4.31	5.67	6.60	9.31
Massachusetts	5.31	6.58	6.17	6.81	7.64
Mississippi	.92	.97	.92	.91	..
Missouri	1.04	1.24	1.15	1.02	1.21
Montana	.32	.42	.39	.45	.63
New Hampshire	.96	1.00	1.10	1.23	1.30
New York	6.42	6.79	8.65	9.37	11.07
North Carolina	1.33	2.13	2.19	2.79	2.62
North Dakota	.69	.94	.79	.84	.96
Oklahoma	.14	.14	.15	.45	.30
South Carolina	1.23	1.01	.85	.95	1.21
Virginia	.69	1.33	1.46	1.48	1.72
Wisconsin	3.23	4.79	6.43	.94*b*	6.06

a—Computed from information furnished by tax officials in answer to questionnaires and from the U. S. Census estimates of population.
b—Change in fiscal year.

TABLE X—13: INCOME TAX YIELDS—FEDERAL AND STATE COMPARED[a]

(Taxes payable mostly in 1927 on Income of 1926)

(In Thousands of Dollars)

State	Federal			State	
	Individual	Corporate	Total	Total	% of Federal
Arkansas	$ 1,481	$ 2,123	$ 3,604	$ ..	..
California	46,238	54,319	100,558	..	..
Connecticut	13,751	15,646	29,397	2,587	8.82
Delaware	5,101	10,815	15,916	1,377	8.62
Georgia	2,888	7,564	10,453	..	..
Massachusetts	37,116	48,500	85,616	26,178	30.58
Minnesota	6,475	16,156	22,631	..	..
Mississippi	643	1,435	2,079	1,645	79.12
Missouri	13,497	33,948	47,445	4,030	8.51
Montana	562	1,520	2,081	281	13.48
New Hampshire	1,201	1,065	2,266	502	22.55
New York	247,164	356,409	603,573	98,865	16.38
North Carolina	3,398	13,017	16,415	6,340	38.62
North Dakota	180	422	602	505	83.89
Oklahoma	8,135	10,327	18,462	362	1.96
Oregon	2,175	2,995	5,170	..	..
South Carolina	420	1,693	2,113	1,559	73.78
Tennessee	3,651	8,177	11,828	..	..
Virginia	3,495	17,284	20,779	3,721	17.91
Washington	2,801	7,286	10,086	..	..
Wisconsin	8,418	23,193	31,611	18,775	59.35
West Virginia	2,304	9,415	11,719	..	..

a—U. S. Treasury, *Statistics of Income*, 1927, and information from state officials.

TABLE X—14: INCOME TAX YIELDS—FEDERAL AND STATE COMPARED[a]

(Taxes payable mostly in 1928 on Income of 1927)

(In Thousands of Dollars)

State	Federal			State	
	Individual	Corporate	Total	Total	% of Federal
Arkansas	$ 1,340	$ 1,811	$ 3,151	..	..
California	46,145	56,530	102,575	..	..
Connecticut	16,118	16,827	32,945	2,623	7.99
Deleware	7,970	15,548	23,518	1,611	6.86
Georgia	3,613	8,320	11,933	..	..
Massachusetts	43,950	49,174	93,124	29,201	31.36
Minnesota	7,383	14,227	21,611	..	..
Mississippi	816	1,242	2,058	1,628	79.11
Missouri	13,738	30,281	44,019	3,698	8.40
Montana	868	1,361	2,229	249	11.19
New Hampshire	1,825	1,240	3,065	563	18.37
New York	305,210	324,573	629,783	108,262	17.19
North Carolina	4,520	14,147	18,666	8,196	43.91
North Dakota	188	399	587	538	91.65
Oklahoma	6,232	6,368	12,600	1,089	8.62
Oregon	1,920	2,494	4,414	..	..
South Carolina	555	2,694	3,245	1,762	54.30
Tennessee	4,036	7,405	11,440	..	..
Virginia	3,611	15,770	19,382	3,816	19.68
Washington	2,913	7,222	10,136	..	..
Wisconsin	10,622	23,118	33,740	2,761	8.20

a—U. S. Treasury, *Statistics of Income*, 1928 and information from state officials.

TABLE X—15: FEDERAL INCOME TAX COLLECTIONS—INDIVIDUALS[a]

State	In Millions of Dollars									
	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Connecticut	$ 10.63	$ 13.13	$ 11.19	$ 12.59	$ 13.53	$ 13.75	$ 16.12	$ 16.89	$ 20.90	$ 24.46
Delaware	1.28	1.83	1.40	2.43	2.78	5.10	7.97	7.06	9.72	13.12
Massachusetts	46.53	57.78	42.53	40.86	41.05	37.12	43.95	44.84	54.87	61.63
Mississippi	1.07	1.80	1.69	1.16	.99	.64	.82	1.02	.99	.75
Missouri	14.66	15.97	13.09	12.37	14.25	13.50	13.74	16.60	19.21	19.81
Montana	1.05	1.03	.72	.73	.58	.56	.87	.91	1.43	1.37
New Hampshire	1.76	2.13	1.64	1.38	1.22	1.20	1.82	1.73	2.05	1.90
New York	210.77	273.96	192.31	236.77	252.16	247.16	305.21	299.31	407.99	447.94
North Carolina	3.76	4.91	4.77	3.78	3.18	3.40	4.52	4.64	5.81	5.36
North Dakota	.49	.45	.28	.27	.16	.18	.19	.23	.22	.18
Oklahoma	4.21	6.41	3.91	3.79	6.90	8.13	6.23	10.46	7.95	7.18
South Carolina	1.25	1.27	1.56	.73	.43	.42	.55	.72	.75	.74
Virginia	4.16	4.92	3.67	3.31	2.98	3.50	3.61	4.22	4.55	4.23
Wisconsin	8.97	9.13	9.02	7.34	6.80	8.42	10.62	11.34	13.30	12.07
West Virginia	4.58	4.59	3.88	2.80	2.13	2.30	2.52	3.24	3.05	3.14

a—From U. S. Treasury, *Statistics of Income*, 1927, and U. S. Internal Revenue release of July 13, 1930.

TABLE X—16: FEDERAL INCOME TAX COLLECTIONS—CORPORATIONS[a]

State	In Millions of Dollars									
	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Connecticut	$ 4.67	$ 10.46	$ 13.18	$ 11.85	$ 14.89	$ 15.65	$ 16.83	$ 17.49	$ 19.36	$ 20.99
Delaware	.49	2.26	3.98	4.70	7.66	10.82	15.55	12.95	18.45	25.98
Massachusetts	24.46	47.02	53.15	40.80	49.27	48.50	49.17	53.69	54.85	48.06
Mississippi	.37	1.13	1.72	1.34	1.66	1.44	1.24	1.65	1.33	1.30
Missouri	10.82	22.66	25.78	26.04	33.35	33.95	30.28	35.38	32.43	30.73
Montana	.46	.88	.88	.84	1.20	1.52	1.36	1.91	1.62	1.17
New Hampshire	1.02	1.12	1.40	.93	1.17	1.06	1.24	1.52	1.30	1.39
New York	100.85	199.68	248.11	246.11	322.98	356.41	324.57	347.30	336.78	382.14
North Carolina	5.40	11.41	12.50	9.73	12.82	13.02	14.15	15.71	14.26	11.63
North Dakota	.23	.33	.22	.44	.55	.42	.40	.52	.44	.35
Oklahoma	1.33	3.91	2.70	3.97	8.03	10.33	6.37	9.73	9.62	10.69
South Carolina	1.17	2.96	3.67	1.37	1.91	1.69	2.69	3.02	2.75	2.07
Virginia	4.78	9.50	10.84	9.39	13.41	17.28	11.77	17.67	15.63	14.36
Wisconsin	5.70	14.03	16.39	15.11	20.33	23.19	23.12	32.16	24.21	22.09
West Virginia	3.40	7.87	8.34	5.64	7.63	9.42	6.99	10.11	8.30	6.31

a—From U. S. Internal Revenue, *Statistics of Income*, 1927, and U. S. Internal Revenue release of July 13, 1930.

TABLE X—17: FEDERAL INCOME TAX, PER CAPITA COLLECTIONS—INDIVIDUAL[a]

State	Individual									
	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Connecticut	$7.41	$8.98	$7.47	$8.19	$8.61	$8.56	$9.85	$10.13	$12.54	$15.24
Delaware	5.64	7.99	6.03	10.34	11.68	21.25	32.80	28.94	39.83	55.05
Massachusetts	11.82	14.48	10.51	9.96	9.91	8.84	10.36	10.45	12.79	14.49
Mississippi	.60	1.01	.94	.65	.55	.36	.46	.57	.56	.37
Missouri	4.28	4.65	3.79	4.11	4.09	3.86	3.91	4.71	5.45	6.08
Montana	1.80	1.71	1.15	1.12	.86	.81	1.22	1.66	2.61	2.55
New Hampshire	3.95	4.77	3.65	3.07	2.70	2.64	4.00	3.79	4.50	4.08
New York	19.88	25.50	17.66	21.47	22.59	21.86	26.72	25.91	35.32	35.50
North Carolina	1.43	1.84	1.76	1.37	1.13	1.19	1.56	1.58	1.98	1.69
North Dakota	.76	.70	.44	.42	.25	.28	.30	.36	.35	.26
Oklahoma	2.10	2.99	1.78	1.69	3.01	3.47	2.61	4.31	3.28	3.00
South Carolina	.73	.73	.89	.41	.24	.23	.30	.39	.40	.42
Virginia	1.76	2.06	1.52	1.35	1.20	1.39	1.42	1.64	1.77	1.75
Wisconsin	3.33	3.35	3.26	2.61	2.39	3.06	3.64	3.84	4.50	4.12
West Virginia	3.03	2.98	2.47	1.74	1.30	1.38	1.49	1.88	1.77	1.82

a—Compiled from U. S. Treasury, *Statistics of Income*, 1927, and U. S. Census estimates of population.

TABLE X—18: FEDERAL INCOME TAX, PER CAPITA COLLECTIONS—CORPORATIONS[a]

State	Individuals and Corporation									
	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Connecticut	$3.25	$7.15	$8.80	$7.70	$9.47	$9.74	$10.29	$10.49	$11.61	$13.09
Delaware	2.16	9.87	17.16	20.00	32.18	45.08	63.99	53.08	75.61	108.99
Massachusetts	6.21	11.78	13.13	9.94	11.89	11.56	11.59	12.51	12.79	11.30
Mississippi	.21	.63	.96	.75	.93	.80	.69	.92	.75	.65
Missouri	3.16	6.59	7.46	7.50	9.57	9.71	8.63	10.04	9.20	9.42
Montana	.78	1.46	1.41	1.29	1.79	2.19	1.90	3.48	2.95	2.17
New Hampshire	2.29	2.51	3.12	2.07	2.59	2.33	2.73	3.33	2.86	2.98
New York	9.51	18.58	22.79	22.31	28.94	31.53	28.41	30.07	29.16	30.28
North Carolina	2.05	4.28	4.61	3.52	4.56	4.56	4.88	5.35	4.85	3.67
North Dakota	.36	.51	.34	.69	.86	.65	.62	.81	.69	.51
Oklahoma	.63	1 83	1.23	1.77	3.50	4.41	2.67	4.01	3.97	4.47
South Carolina	.68	1.71	2.09	.76	1.06	.93	1.46	1.62	1.48	1.19
Virginia	2.03	3.98	4.48	3.82	5.39	6.86	4.62	6.86	6.07	5.94
Wisconsin	2.12	5.15	5.93	5.38	7.14	8.04	7.92	10.89	8.20	7.53
West Virginia	2.25	5.12	5.31	3.51	4.66	5.64	4.12	5.86	4.81	3.65

a—Compiled from U. S. Treasury, *Statistics of Income*, 1927, and U. S. Census estimates of population.

TABLE X—19: FEDERAL INCOME TAX, PER CAPITA COLLECTIONS—INDIVIDUAL AND CORPORATION[a]

State	Individual and Corporation									
	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Connecticut	$10.66	$16.13	$16.27	$15.89	$18.08	$18.30	$20.14	$20.62	$ 24.15	$ 28.33
Delaware	7.80	17.86	23.19	30.34	43.86	66.33	96.79	82.02	115.44	164.04
Massachusetts	18.03	26.26	23.64	19.90	21.80	20.40	21.95	22.96	25.58	25.79
Mississippi	.81	1.64	1.90	1.40	1.48	1.16	1.15	1.49	1.31	1.02
Missouri	7.44	11.24	11.25	11.61	13.66	13.57	12.54	14.75	14.65	15.50
Montana	2.58	3.17	2.56	2.41	2.65	3.00	3.12	5.14	5.56	4.72
New Hampshire	6.24	7.28	6.77	5.14	5.29	4.97	6.73	7.12	7.36	7.06
New York	29.39	44.08	40.45	43.78	51.53	53.39	55.13	55.98	64.48	65.78
North Carolina	3.48	6.12	6.37	4.89	5.69	5.75	6.44	6.93	6.83	5.36
North Dakota	1.12	1.21	.78	1.11	1.11	.93	.92	1.17	1.04	.77
Oklahoma	2.73	4.82	3.01	3.46	6.51	7.88	5.28	8.32	7.25	7.47
South Carolina	1.41	2.44	2.98	1.17	1.30	1.16	1.76	2.01	1.88	1.61
Virginia	3.79	6.04	6.00	5.17	6.59	8.25	6.04	8.50	7.84	7.69
Wisconsin	5.45	8.50	9.19	7.99	9.53	11.10	11.56	14.73	12.70	11.65
West Virginia	5.28	8.10	7.78	5.25	5.96	7.02	5.61	7.74	6.58	5.47

a—Compiled from U. S. Treasury, *Statistics of Income*, and U. S. Census estimates of population.

TABLE X—20: STATE INCOME TAX LAWS—INDIVIDUAL INCOMES

State	Personal Exemption			Tax Rates	Methods of Collection and Distribution of Proceeds
	Single Person	Married Person or Head of Family	Allowance for Dependent		
Arkansas *a*	$1,500	$2,500	$400	1% on first $3,000 of net income above exemption; 2% on next $3,000; 3% on next $5,000; 4% on next $14,000; 5% on all income in excess of $25,000.	Commissioner of Revenues. First $500,000 annually to Charities Fund; next $750,000 annually to Common School Equalization Fund; remainder to special fund to reduce state taxtion on property.
Delaware *b*	1,000	2,000	200	1% on first $3,000 of net above exemption; 2% on next $7,000; 3% on balance.	State School Tax Department for school purposes.*c*
Georgia *d*	1,500	3,500	400	1/3 of the federal income tax rates in effect when Georgia law was passed Aug. 19, 1929.	State Tax Commissioner. Proceeds go to the state.
Massachusetts *e*	..	..	250	Massachusetts' incomplete income tax does not fit into this schedule.	First to cost of administration, next according to Education Act, balance to localities in proportion to state assessment.
Mississippi *f*	1,500 ..	3,500 ..	400*g* 200*g*	2½% on first $2,000 net income above exemption; 3½% on next $3,000; 4½% on next $10,000; 5½% on balance.	State Tax Commissioner. Credited to general revenue revenue fund of state.*c*
Missouri *h*	1 000	2,000	200	1%	The State Auditor exercises general supervision over all assessing officers and county boards of equalization and appeal. Credited to general revenue fund of state.

a—Prentice-Hall, *Tax Diary and Manual*, 1930, p. 2. This edition of Prentice-Hall is referred to below unless otherwise noted.
b—Ibid, p. 3.
c—Ibid, p. 11; National Industrial Conference Board, *State Income Taxes*, Vol. II, p. 149.
d—Prentice-Hall, p. 4. Exemptions are to be the same as those provided by the U. S. Revenue Act.
e—Exemptions—$2,000 from business employment or trade; $1,000 of interest, dividends, or annuities if received by a person whose total income does not exceed $1,000 but the exemption is not given to any person if the combined income of husband and wife exceeds $1,500. The sum of $250 is allowed for each child under 18 or dependent parent, and $500 for husband and wife living together six months of the year is allowed as a deduction from income. Rates 1½% on income from annuities, professions, employments, trades or business, 3% on net earnings from dealings in intangible personal property, 6% on interest and dividends. Prentice-Hall, p. 6.
f—Prentice-Hall, p. 8.
g—An exemption of $200 is allowed a single person for each dependent. A head of family or married person is allowed $400 for each dependent under 18 or incapable of self support or attending school or college. Prentice-Hall, 1930, p. 8. Prentice-Hall, 1931, p. 14, omits mention of the $200 exemption.
h—Prentice-Hall, p. 10.

TABLE X—20: STATE INCOME TAX LAWS—INDIVIDUAL INCOMES—(Continued)

State	Personal Exemption			Tax Rates	Methods of Collection and Distribution of Proceeds
	Single Person	Married Person or Head of Family	Allowance for Dependent		
New Hampshire *a*.....	$ 200	$ 200	..	The rate used is the average rate of taxation existng upon other property throughout the state excepting the polls, saving bank deposits and property specially taxed for the year in which the income is assessed.*b*	Tax Commission, distributed to the towns, cities where taxpayers reside except 2% retained by state to pay cost of assessment and distribution.
New York *c*.....	2,500	4,000	$400	1% on 1st $10,000 of net income less exemption; 2% on amounts above $10,000 and not over $50,000; 3% on amounts over $50,000.	State Tax Commission through local agents. 50% to general fund of state. 50% to counties in proportion to assessed value of real property in each. Amount credited to counties is further distributed among cities and towns in proportion to assessed valuation of property. Town distribution not to exceed 1/3 of share to schools; balance for general town purposes.
North Carolina *d*.....	1,000	2,000*e*	200	1¼% on first $2,500 above exemptions; 2% on next $2,500; 2¾% on next $2,500; 3½% on next $2,500; 4½% on next $5,000; 5% on excess over $15,000.	Commissioner of Revenue. Credited to general revenue fund of state.*f*

a—Prentice-Hall, p. 11.
b—Letter from Tax Commission in reply to questionnaire, and Prentice-Hall, p. 11.
c—Prentice-Hall, pp. 12, 13, 14 and letter of Commissioner of Taxation, March 3, 1930.
d—Prentice-Hall, p. 14.
e—An additional personal exemption of $1,000 is perm'tted a married person making a separate return of income from that made by the other spouse. Certain fiduciaries $1,000. A widow or widower having minor children allowed $2000.
f—National Industrial Conference Board, *State Income Taxes*, Vol. II, p. 149.

TABLE X—20: STATE INCOME TAX LAWS—INDIVIDUAL INCOMES—(Continued)

State	Personal Exemption			Tax Rates	Methods of Collection and Distribution of Proceeds
	Single Person	Married Person or Head of Family	Allowance for Dependent		
North Dakota *a*.....	$1,000	$2,000	$300*b*	1% on first $2,000 above exemptions; 2% on next $2,000; 3% on next $2,000; 4% on next $2,000; 5% on next $2,000; 6% on excess of $10,000.	State Treasurer, Tax Commissioner. Credited to general fund of state.
Oklahoma *c*.....	3,000	4,000	$300 for child under 18, $500 while dependent is acquiring education. $200 other dependent.	7½ mills to the dollar on first $10,000; 15 mills to the dollar on next $15,000; 20 mills to the dollar on the balance.	State Treasurer. Credited to general fund of state.
Oregon					
Income from intangibles*d*	200	200		5% of gross income from intangibles.	State Tax Commission. Credited to general funds of state.
Personal income from other scources *e*.....	1,500	2,500	$400	1% on first $1,000 above exemption; 2% on next $1,000; 3% on next $1,000; 4% on next $1,000; 5% on income in excess of $4,000.	
South Carolina *f*.....	1,200	2,200	400*g*	1% on first $2,000 of net income over exemptions; 2% on next $2,000; 3% on next $2,000; 4% on next $2,000; 5% on remainder.	State Treasurer through State Tax Commissioner. Credited to general fund of state.

a—Prentice-Hall, p. 16
b—For each dependent under 18, and also for children between 18 and 21 if dependent and attending school.
c—Prentice-Hall, p. 18.
d—Exemption $200 for each taxpayer. Prentice-Hall, p. 19.
e—Letter of Tax Commission of 3/10/30. This tax was suspended pending a referendum held November 4, 1930. State Tax Commissioner Fisher writes in letter of Nov. 24, 1930 that the referendum upheld the income tax law. The Supreme Court of Oregon has held that the 5% tax on gross income from intangibles received by individuals is not valid—*Redfield et al v. Fisher et al*, 292 Pac. 813. (Oct. 24, 1930)
f—Tax Commission in reply to questionnaire, July 22, 1930.
g—For dependents under 21 years. Letter of August 13, 1930.

TABLE X—20: STATE INCOME TAX LAWS—INDIVIDUAL INCOMES—(Continued)

State	Personal Exemption			Tax Rates	Methods of Collection and Distribution of Proceeds
	Single Person	Married Person or Head of Family	Allowance for Dependent		
Tennessee *a*	$1,000	$2,000	..	5% on income from stocks and bonds above exemptions.	Commissioner of Finance and Taxation. Proceeds go to the state.
Virginia *b*	1,250	2,800	$400	1½% on first $3,000 of net income; 2½% on next $2,000; 3% on net income over $5,000.	County and City Treasurer. Credited to general fund of state.
Wisconsin *c*	8.00 of tax	17.50 of tax	3.00 of tax	Normal—1% first $1,000; 1¼% second $1,000; 1½% third $1,000; 1¾% fourth $1,000; 2% fifth $1,000; 2½% sixth $1,000; 3% seventh $1,000; 3½% eighth $1,000; 4% ninth $1,000; 4½% tenth $1,000; 5% eleventh $1,000; 5½% twelfth $1,000; 6% on excess over $12,000; in addition surtax of 1/6 above rates on income over $3,000.	City, Town and Village Treasurer. 40% state, 10% county, 50% locality, except not over 2% of assessed value of district. Used for general expenses except in cities of 1st class a certain amount is credited to firemen's pension.

a—Only income from stocks and bonds is taxable. The exemption applies to this type of income, and husband and wife are counted as two individuals. Prentice-Hall, 1930, p. 22. Prentice-Hall, 1931, p. 29, says "Personal exemption.—None."
b—Prentice-Hall, 1931, p. 30.
c—Ibid, p. 32.

TABLE X—21: STATE INCOME TAX LAWS—CORPORATE INCOMES

State	Corporations Liable	Rate	Methods of Collections and Distribution of Proceeds
Arkansas *a*	All domestic corporations and proportional amount of income from foreign corproations.	2%	Tax Commissioner. Same as for Personal. See Table X-20.
California *b*	All corporations doing business in state.	4% on California proportion of total net income.	Franchise Tax Commissioner. Proceeds go to the state.
Connecticut *c*	Doing business in state and liable to federal income tax report, except some corporations pay for franchise tax measured by some criterion other than net income.	2%*d*	Tax Commissioner for state purposes.*e*
Georgia *f*	All domestic corporations and proportional amount of income of foreign corporations.	1/3 of federal income tax rates in effect at time Georgia law was passed (Aug. 19, 1929).	State Tax Commissioner.
Massachusetts *g*	Domestic manufacturing and merchantile.	2½% of that part of net income covered in last federal return which is derived from business carried on within the state, plus income from securities not taxable under Federal law and by adding back any net losses deducted for previous year's losses. Minimum tax one-twentieth of 1% of fair cash value of capital stock.*h*	Commissioner of Corporations and Taxation. Distributed the same as Personal Income Tax. See Table X-20.
	Banks *i*	Rate no higher than proportion of income paid by other corporations in excise and property tax.	

a—Prentice-Hall, *Tax Diary and Manual*, 1930, p. 94.
b—Ibid, p. 96.
c—Ibid, p. 100.
d—Based on the Connecticut portion of the amount of income on which the corporation was required to pay a tax to the U. S. A minimum of $10 is due.
e—National Industrial Conference Board, *State Income Taxes*, Vol. I, p. 47.
f—Prentice-Hall, pp. 108-09.
g—Ibid, p. 125
h—Domestic corporations deriving profits principally from ownership, sale or rental or use of real estate or tangible personal property are subject to a minimum tax of one-twentieth of 1% of their gross receipts from business assignable to Massachusetts.
i—National Industrial Conference Board, *State Income Taxes*, Vol. I, p. 85.

TABLE X—21: STATE INCOME TAX LAWS—CORPORATE INCOMES—(Continued)

State	Corporations Liable	Rate	Methods of Collection and Distribution of Proceeds
Mississippi *a*	Domestic and foreign.	2¼% on $2,000 or less; $50 plus 3½% of income over $2,000 to $5,000; $155 plus 4½% income over $5,000 to $15,000; $605 plus 5½% income over $15,000. A specific exemption of $1,500 is allowed.	State Commissioner of Income Tax. Goes to state.*b*
Missouri *c*	Domestic and Foreign.*d*	1%.	County Collector; State Auditor supervises. Goes to state.*b*
Montana *e*	Domestic and Foreign.	1%.	State Board of Equalization. Goes to state.*b*
New York *f*	Corporations whose entire business is within the state.	Whichever of the following amounts is greatest: a. 4½% on entire net income or b. 1 mill on every dollar of par stock issued or c. 2% of entire net income plus salaries paid to to officers and stockholders owning in excess of 5% stock excepting dividends, less $6,000 and any deficit for year. *g* d. A minimum of $10. *g*	Proceeds of franchise tax on mercantile and manufacturing corporations distributed 2/3 to the state, 1/3 to counties on basis of location of tangible personal property.
	Corporations whose business is partly within and and partly without the state.	Whichever of the following amounts is greatest: a. 4½% on part of income represented by portion of its assets segregated to state. b. 1 mill of every dollar of apportionment of face value of issued stock allocated to state or c. Minimum tax of $10.00.	Proceeds of franchise tax on banks distributed to localities according to location of the concern taxed.*b*

a—Prentice-Hall, p. 132.
b—National Industrial Conference Board, *State Income Taxes* Vol. II, p. 149.
c—Prentice-Hall, p. 134-35.
d—The tax is based on net income derived from Missouri, except that in case of a corporation engaged in both interstate and intrastate business a reasonable allocation of all income which can not be definitely allocated is included.
e—Prentice-Hall, p. 136—License tax based upon total net income received from all sources within Montana during the preceding calendar year ending Dec. 31st, or the company's fiscal year.
f—Franchise tax on business corporations. Prentice-Hall, p. 150.
g—Prentice-Hall, 1931, p. 164, gives somewhat different and very complicated provisions, with a minumum tax of $25.

TABLE X—21: STATE INCOME TAX LAWS—CORPORATE INCOMES—(Continued)

State	Corporations Liable	Rate	Methods of Collections and Distribution of Proceeds
North Carolina *a*	Domestic Foreign.	4½% on entire net income *b* 4½% on portion of net income *c*	State Revenue Commissioner for state uses *d*.
North Dakota *e*	All Corporations	3% on entire net income from N. D. sources *f*	State Tax Commission for state purposes
Oregon *g*	All Corporations	5% on Oregon proportion of total net income. Offset is allowed for proportion of personal property taxes paid in state up to 90% excise tax liability. Minimum tax is $25.00	State Tax Commission for state purposes
South Carolina *h*	All Corporations.	4½% on entire net income, but income from business outside the state is deductible.	State Tax Commission for state purposes.
Tennessee *i*	All Corporations.	3% net earnings on business wholly within state.	Excise Tax Division, Dept. of Finance and Taxation. Proceeds for state purposes.
Virginia *j*	All Corporations.	3% on net income attributable to business done and property owned within the state.	Department of Taxation for state uses.
Washington *k*	Banks and Financial Corporations.	5% on net income.	Allocated to state and taxing districts in which corporation has offices or principal place of business on basis of taxable valuation of property.
Wisconsin *l*	All Corporations.	2% on 1st $1,000; 2¼% on 2nd $1,000; 3% on 3rd $1,000; 3¼% on 4th $1,000; 4% on 5th $1,000; 5% on 6th $1,000; 6% on 7th $1,000; 6% on balance; in addition, surtax one-sixth above rates on income over $3,000.	County Treasurer: 40% to State; 10% to County; 50% to locality where collected.

a—Prentice-Hall, pp. 152-53.
b—Income received from a business outside of North Carolina is deductible if such income is earned in a state that levies an income tax.
c—Determined in accordance with certain arbitrary rules, the essence of which aims at taxing the income from business done in the state only.
d—State Tax Commission in reply to questionnaire Nov., 1928.
e—Prentice-Hall, p. 155.
f—Net business income is apportioned on proportion that North Dakota business and property bear to the total.
g—Prentice-Hall, p. 162.
h—Letter from State Tax Commission, August 16, 1930.
i—Prentice-Hall, p. 173.
j—Ibid, p. 181.
k—L. 1929, c. 151. The Supreme Court of Washington has declared tax unconstitutional—*Aberdeen Savings and Loan Association v. Chase.* 289 Pac. 536. (June 12, 1930)
l—Prentice-Hall, p. 190.

Chapter XI

INHERITANCE AND ESTATE TAXES

Need for Supplementary Revenue

THE great increases in the functions and expenditures of modern states have occasioned the searching out of new sources of revenue and the reviving and developing of old and neglected sources. Property, especially real estate, has borne the brunt of these large and continuing increases. Attempts at relief through reduced expenditures have never succeeded for any length of time. There has been some easing of the pressure, however, through the adoption of good supplementary taxes. Even these have seldom lessened the previous levies on land, at best they have usually only prevented the increases from being so rapid. Among the most important of supplementary taxes in modern states are inheritance and estate taxes, or death duties, as they are collectively designated in Britain.[1]

Federal Inheritance Taxes

The Federal government of the United States has never resorted to death taxes except under the pressure of war necessities. There were stamp duties on legacies and successions from 1798 to 1802, probably occasioned by the fear of war, but the first real inheritance tax was that of 1861. This and other Civil War inheritance taxes were repealed in 1870 and 1872.

The income tax law of 1894 included inheritances as income but this act was declared unconstitutional in 1895.

The Spanish-American War inheritance tax of 1898 was repealed in 1902.

Death taxes were again resorted to by our Federal government in the late World War. This tax took the form of an estate tax

[1]The term "inheritance tax" is used in a broad and also in a narrow sense. Among laymen it is common to use the term broadly to cover all taxes on successions occasioned by death; in its narrower sense, inheritance taxes are those applying to the shares of the several beneficiaries, whereas an estate tax is one applying to the estate of a decedent as a unit. In the latter case, gradations of exemptions and rates, if any, apply to the estate as a whole, whereas, in the former case, they apply to the share of each beneficiary. It is, perhaps, more usual to use "inheritance tax" in the broad sense except where it is wished to distinguish it from the estate tax. Our federal government and a few of our states have estate taxes only at present. Most of the states have inheritance taxes (in the narrower sense) and a number have both estate and inheritance taxes. (See Table XI—2, p. 309, in appendix to this chapter for names of states in each group.)

with large exemptions and with graduated rates reaching a maximum of 40%. Proceeds of insurance and gifts above certain amounts were subjected to these rates. The gift tax was soon dropped, the rates on estates were lowered, and the exemption increased.

Despite much agitation for the repeal of the Federal estate tax, it is still on the statute books, though its yield is relatively small because of the credit allowed for state taxes. It has been argued very strongly that the Federal government should leave this source of revenue to the states. They need it much more than the national government. The most strenuous objection, however, has come from Florida and other states wishing to attract wealthy individuals by the lure of no death taxes.[1] The Federal law, by granting an 80% credit for state taxes, takes the heart out of the Florida lure and prevents her and other similarly minded states from nullifying the inheritance tax laws of the rest of the states. This indicates why the rest of the states have been willing to continue a national estate tax so long after the close of the war.

State Inheritance Taxes

State inheritance taxes in this country are mostly a development of the last forty or fifty years. It is true that a few states had death taxes prior to this period, but they were relatively unimportant. The increasing need of revenue has been the main cause of the great developments in this direction, though the spread of democratic ideas has had something to do with the growth.

The usual order of development in state inheritance taxation has been, first, low flat rates on collateral heirs; later, taxes on direct heirs, also. This has been followed by progressive rates and greater differentiation in both rates and exemptions. There has been little uniformity, in fact, there has been extreme chaos among the states with respect to rates and administrative procedure. The conflicts have been so serious that recent years have brought a very strong movement for reciprocity. The United States Supreme Court has recognized that times have changed and has explicitly reversed itself to prevent state conflicts in the matter of intangibles, and furthermore, as suggested above, the Federal credit is a powerful factor in bringing about a certain harmonization of state laws.

[1]Most recent reports are to the effect that Florida is now considering the imposition of inheritance taxes and also income taxes.

The following outline indicates the development of state inheritance taxes in the United States:

1. Collateral tax, Pennsylvania, 1826.
2. Tax on direct shares, North Carolina, 1855, discontinued in 1874.
3. Carefully drawn and well administered law of New York taxing collateral shares, 1885.
4. Tax upon direct heirs, New York, 1891.
5. First law with progression according to the size of the estate, Ohio, 1894. It was declared unconstitutional by the courts. (*State* v. *Ferris*, 53 Ohio St. 314, 340.)
6. Missouri's law of 1895 with the progressive rates upon collateral shares was declared unconstitutional. (*State* v. *Switzler*, 143 Mo. 187, 333.)
7. Illinois' law of 1895 taxing:
   (a) Collateral shares progressively.
   (b) Stock of a foreign corporation passing to a non-resident when such a corporation had property or income in Illinois.

   This was upheld by the courts. (*Magoun* v. *Ill. Trust and Savings Bank*, 170 U. S. 283.)
8. Washington, 1901, applied progressive rates according to the amounts of the shares and to the degree of the kinship in the case of collateral beneficiaries but a proportional rate of one per cent was provided for direct heirs.
9. North Carolina in 1901 applied this double progression both to the direct and collateral beneficiaries, but confined to personal property.
10. Wisconsin law of 1903:
    (a) Double progression applied to both real and personal property.
    (b) Progression was by bracket instead of by totality.
    (c) Exemptions were graduated according to the degree of kinship of the beneficiaries.
11. Louisiana between 1903 and 1908 provided for a tax upon transfer of all personal property physically in the State of Louisiana, including securities, deposits, credits, etc.
12. Efforts to avoid double and multiple taxation:
    (a) 1904, West Virginia and Vermont provided that when inheritance taxes had to be paid to the other states upon the estate of a resident decedent such taxes should be deducted from the amount paid to the state of domicile.
    (b) 1907, Massachusetts adopted a similar provision and enacted the first measure for fiscal reciprocity in inheritance taxation in this country.
13. The first combination of inheritance tax and estate duty was enacted by Rhode Island in 1916.[1]

[1]Shultz, William J., *The Taxation of Inheritance*, 1926, and the Tax Commission, North Carolina, *Report*, 1928, pp. 490, 491.

West Virginia Inheritance Tax Development

This State adopted a tax on collateral heirs in 1887. Although it has for many years applied to direct heirs, it is still commonly but incorrectly called a "collateral" inheritance tax. Following is a brief outline of its history.[1]

1887, Chapter 31:

Estates valued at less than $1,000 exempt. No tax on estates devised to father, mother, wife, children or lineal descendants of devisor. On estates left to any other person or to a corporation, a tax of 2½% of the market value.

1891, Chapter 116:

Amended so as to exempt husbands.

1904, Chapter 6:

Amended so as to exempt legacies for educational, charitable, literary, scientific, religious or public purposes. Rate of tax placed at 3% on estates to brother or sister, 5% on estates to grandfather or grandmother, 7½% to any other person, or to a corporation. Reciprocal provision enacted providing that where personal property of a non-resident is subject to a similar tax in another state or country of residence, payment of such tax shall exempt from this tax to the amount paid; provided a like exemption is allowed to the citizens of this state by such state or country.

1907, Chapter 55:

Amended so as to exempt $20,000 to father, mother, wife, husband, child or lineal descendant. Provision exempting estates valued at less than $1,000 repealed. Tax rate on estates to father, mother, husband, wife, child, or lineal descendant, 1%; to brother or sister, 3%; to grandfather or grandmother, 5%; to any other person or to any corporation, 7½%.

1909, Chapter 63:

Amended so as to exempt $15,000 to widow; $10,000 to husband, child, or lineal descendant.

[1]The West Virginia State Tax Commission, *Report*, 1927, pp. 36, 37.

Tax rates as follows:

Share to	PER CENT				
	First $25,000 or Part After Exemption	Next $25,000 or Part Thereof	Next $50,000 or Part Thereof	Next $400,000 or Part Thereof	All in Excess of $500,000
Wife, Husband, Child or Lineal Descendant	1	1½	2	2½	3
Brother or Sister	3	4½	6	7½	9
Any other person or corporation	5	7½	10	12½	15

Includes value of real estate and tangible personal property, bonds, securities, shares of stock, etc., of non-residents, the ownership of which is in this State, the shares of capital stock, or bonds of any corporation organized and existing under the laws of this State, the certificate of which stock or bonds shall be within this State, where the laws of state or country of decedent's residence shall, at the time of his death impose a similar tax upon capital stock or bonds of all corporations organized or existing under the laws of such state or country held under such conditions at their death by residents of this State.

1913, Chapter 25:

Amended by inserting the words "or without" after the word "within," so as to read "shall be within or without this State."

1921, Chapter 3, Extra Session:

Amended so as to exempt estates valued at $500 or less. Exempts $15,000 to widow; $10,000 to husband, child, father or mother. All descendants of a child allowed but one exemption of $10,000 for the child they represent.

Tax rates as follows:

Share to	PER CENT							
	First $50,000 or Part after Expemtion	Next $50,000 or Part	Next $50,000 or Part	Next $50,000 or Part	Next $100,000 or Part	Next $100,000 or Part	Next $100,000 or Part	All in Excess of $500,000
Wife, Husband, Child, Father or Mother	2	4	4½	5	5½	6	6½	7
Brother or Sister	4	8	9	10	11	12	13	14
Blood relative farther removed	6	12	13½	15	16½	18	19½	21
Others	10	20	22½	25	27½	30	32½	35

Sections 1 to 6. Chapter 33, Code of 1923.

The Special Tax Commission of 1926-27 recommended as follows:[1]

Its complexity has made administration difficult and has unnecessarily irritated and embarrassed fiduciaries charged with the settlement of estates.

The maximum rate of 35% has tended to discourage initiative and has undoubtedly caused many persons of large means to change their residence to other states where the laws are less onerous.

The Commission recommends that this tax be simplified and that the excessive rates (which never operate in actual practice) be modified, so as to more nearly harmonize with the rates imposed by other states.

The 1929 Legislature provided for reciprocity with other states and amended the rates so that they are now as follows:

Share to	PER CENT		
	First $50,000 After Exemption	Next $450,000 or Part	Over $500,000
A. Wife, husband, child, step-child, or descendants of child *per stirpes*, father or mother	2	5	10
B. Brother, sister of full blood	4	7	10
C. Relatives further removed than Class B	7	8	10
D. Non-relatives and institutions	9	9½	10

Chapter 33, Code 1923, as amended by Chapter 57, *Acts of 1929*.

"Section 2*b*, Chapter 33, Code of 1923, is changed to allow an exemption of $25,000 to the widow and $15,000 to each child taking by succession."—New Code, effective January 1, 1931, Chapter 11, Article 11, Section 4.

These increases in exemptions will probably decrease the annual yield by $150,000, more or less.

Justification for Tax

There is perhaps no part of any fiscal system which has so many diverse arguments advanced in its favor as the tax upon the transfer of property at death. These range all the way from arguments of a purely social nature to those justifying the principle as a part of the fiscal machinery. The social arguments, for the most part, look to the limitation of fortunes, and follow closely the ideas of Bentham and Carnegie. One common justification for the in-

[1]West Virginia State Tax Commission, *Report*, 1927, p. 188.

heritance tax is known as the extension of escheat. This is based upon the principle that there is no natural right of inheritance—that the state has gone a long way in allowing an individual to have control over property while alive, but would be going entirely too far to allow him to have absolute control over it after death. This disposition of property after death, then, is really a state function and it is a matter for the state to decide to what extent property shall be inherited. It may be desirable to limit the amount of inheritance for reasons other than the mere diffusion or equalization of wealth. If, as Mr. Carnegie contended, the moral, social, and economic efficiency of the citizens of the state is impaired because of the succession of large fortunes, then it becomes the duty of the state to impose regulation. Inheritance taxes from this viewpoint would properly come under the jurisdiction of the police power when levied by the commonwealth. Since, moreover, the right of inheritance is not considered a natural right, but one granted by the state, any limitation which the state may see fit to impose is not necessarily an undue encroachment on the right of private property.

Conformity to Modern Fiscal Concepts

A consideration of justice in taxation would reveal that, through a process of evolution, the most commonly accepted principle for the just levy of taxes is ability to pay though the principle of benefit is not ignored and there is some consideration for the utilitarian principle of the greatest good to the greatest number. One of the earliest justifications for inheritance taxes was that they were aggregations of belated taxes which should have been paid while the fortunes were in the process of accumulation. This is commonly called the back tax argument. This reasoning has been effective, and not without foundation because of the wide spread evasion of personal property taxes. After all, the inheritance tax conforms, in the most forcible manner, to the principle of ability to pay. The payment of no other important tax, perhaps, is so lightly felt. It is paid after the property has left the hands of the decedent and before it reaches those of the recipient. An inheritance is a sudden and often unexpected receipt of property. It normally creates additional tax paying ability.

Objections

Most of the objections to the inheritance tax arise because of some of the reasons which have been advanced for its adoption, or because of some administrative difficulties, rather than on account of the tax itself. The use of the tax to penalize fortunes which have been amassed in an illegitimate or fraudulent manner is open at once to the objection that there is no way of differentiating the rate directly with the amount of evil connected with the securing of estates. Rates have been made to vary with the size of the bequest, and with the degree of relationship, but neither of these is any indication of the manner by which the estate originated. Many small accumulations of wealth involve a greater amount of dishonesty than many of the large accumulations, and to penalize them properly, the rate imposed would have to be progressive. This reasoning, however, cannot be used as an objection to the inheritance tax, but only to its use for a particular purpose.

The objections that the inheritance tax will discourage savings, and can be easily evaded by gifts before death, have, in reality, little foundation. The discouragement of savings is a common objection to any tax. Few taxes, in fact, tend to discourage savings as little as a tax which does not come until after death. To most individuals, the event of death appears as a remote occurrence, and a tax levied at such a time will have little influence on present accumulations of property. Such a tax may, on the other hand, be an added incentive to greater saving in some cases. To the provident husband and father, who wishes to leave a certain legacy to wife or children, the certainty of a tax deduction may induce the accumulation of a larger amount.

Until a material change occurs in human nature, the evasion of the tax by a distribution of the property before death will be insignificant. Most men wish to retain title to their property while they are alive, and would rather have the state secure a part of it at death than to give up the privilege of retaining it in their possession.

The objections that the tax falls with varying frequency upon different accumulations of wealth, and that it falls upon capital rather than upon income, are not serious. It is no doubt true that transfers of property occur more frequently in some families than in others, and where the transfers are frequent, a greater percentage passes to the state than if the transfers are infrequent.

An extreme case might be represented by the successive deaths of father, mother, and children, all occasioned by the same automobile accident. The same property, or really the ultimate heir, might be subjected to three or more successive inheritance taxes all within the same year. Some states allow rebates where there is more than one transfer of an estate within five years. This is justified on the theory that the tax is on the beneficiary, or his right to receive property. It can be upheld under both ability and benefit principles, and is in accord with usual legislative and popular opinion.

But if a death tax is considered as a deferred property or income tax, or justified on the ground of the state's service to the decedent, then there would be little theoretical validity in rebates because of rapid successions. Logically, such rebates are more in accord with inheritance taxes which look to the beneficiaries, rather than with estate taxes, which look more to the decedent.

It is true that the burden of the tax may fall upon capital, and this condition sometimes exists. It usually happens, however, that the tax is met from current income. Whatever may be the source of the tax, as long as the receipts go into the general fund, the demand for revenue from other sources is lessened to that extent. The amount paid in inheritance taxes does not have to be collected in property, income or other taxes. A larger amount of income can consequently be saved to replace or add to the existing amount of capital. Any tax will fall directly or indirectly upon the accumulation of capital, and the inheritance tax errs here to no greater extent than other forms of taxes.

Insurance

"The most important of recent accretions to the property taxable under inheritance tax statutes is life insurance money payments."[1] It is now common to tax insurance payable to one's estate but usually inheritance taxes have not applied to the proceeds going directly to specific beneficiaries. The Federal estate tax applies to insurance proceeds above the $40,000 exemption. There is no equitable reason why the property accumulations of one who is uninsurable should be subject to such taxes while an equivalent estate in the form of insurance should be exempt. As a matter of fact, it is quite common to convert an estate, or a large part of it, into

[1]Shultz, W. J., *Taxation of Inheritance*, 1926, p. 228.

insurance for the very purpose of avoiding inheritance taxes. Probably much of the insurance business of the country is of this character. This is a hole that should be stopped.

On the other hand, taking out of insurance for the purpose of meeting inheritance taxes can be looked upon with favor by the state. Under such circumstances, the inheritance tax becomes a sort of annual income tax to the owner of the estate, the government is better assured of prompt and full payment, there is less probability of shrinkage of assets and tax payments because of liquidation, so that beneficiaries and state are both likely to gain.

Inheritance Compared with Estate Taxes

There has been more or less controversy as to the relative merits of estate and inheritance taxes. The estate tax is normally simpler to administer and can be made to yield more revenue with less objection from taxpayers. The inheritance tax is more equitable in that it relates to the share going to each beneficiary rather than to the entire estate of the decedent regardless of whether all goes to one person or is split up among numerous heirs. The relative merits of these two kinds of taxes have been summarized as follows:[1]

Estate Tax.

A. Advantages.
   1. Simplicity and speed:
      a. One set of rates.
      b. No investigation of the beneficiaries.
      c. Saving of time and expense both to the estate and the government.
      d. The testator can usually determine in advance the total tax and thus provide for exact division of net amounts among the various beneficiaries.
      [Can market value be anticipated so precisely?]
   2. A step in the direction of harmonizing the death taxes of the states to each other and to the Federal Government.
   3. Greater revenue, since when the individual shares are taxed the rates on the higher brackets can not be applied so far as upon the entire estate.

B. Disadvantages.
   1. Less precise adjustment of the tax to the abilities of the beneficiaries of the estate, on account of the absence

[1]From the *Report of the National Committee on Inheritance Taxation* to the National Conference on Estate and Inheritance Taxation, held at New Orleans, Louisiana, November 10, 1925, pages 34-39; and Shultz, William J., *The Taxation of Inheritance*, pp. 214-15; and North Carolina, *Report of the Tax Commission*, 1928, pp. 498-99.

of progression according to the degree of relationship:

a. The effect of low rates upon direct heirs and dependents ordinarily provided by an inheritance tax can be secured in an estate tax by:
   (1) Liberal exemptions. These, however, would benefit collaterals and strangers as well, unless they were determined by
   (2) Exemptions computed according to the number and degree of kinship of the beneficiaries to the decedent.

b. Inequality of the tax upon estates of equal size, some of which pass to a few beneficiaries and others to many beneficiaries. But, under either estate or succession taxes, the testator can control the distribution of the tax among the beneficiaries.

Inheritance Tax.

A. Advantages.
   1. Theoretically greater fairness on account of more precise adjustment of the tax to the principle of ability to pay.
   2. It is the prevailing form among the states. It is thus an old tax which would seem to be less disturbing to the public than imposition of the same burden in a new form:
      a. But the Federal estate tax is now an old tax also.
      b. The persons subject to the tax are likely to be more interested in the effect of the tax than in its form.

B. Disadvantages.
   1. Greater complexity:
      a. More varied base.
      b. Problem of appraising for the purpose of the tax on life estates and remainders.

Experience of West Virginia and Other States

As mentioned earlier in this chapter, the inheritance tax has been utilized in this State for a long period of years. The law, as reenacted in 1904, was largely fashioned after the New York statute. Both the New York law and the law of this State, however, have undergone many changes by amendments. New York has usually been a leader in inheritance tax legislation, followed by the states of Pennsylvania, Ohio, California, New Jersey, Illinois, and Wisconsin. Various other states have been alert in recent years. Mention may be made of the notable report of the North Carolina Tax Commission of 1928 and the subsequent revision of the inheritance and estate taxes by the 1929 legislature.

The State of New York collected last year in excess of $50,000,000 from death taxation. The old law effective to September 1, 1930, embraced a triple classification of source. The following table shows collections from the three classifications for the last five years:

Year Ending June 30th	Article 10	Article 10-A	Article 10-B
1926	$21,566,710.03	$ 508,878.82	$ 147,159.31
1927	21,070,487.99	1,090,179.86	2,318,285.43
1928	27,678,130.61	437,676.48	7,450,466.75
1929	25,552,750.38	959,674.89	20,652,156.73
1930	30,959,448.69	686,420.95	18,749,301.66

The 1930 legislature of New York entirely reenacted the death tax laws of that state, however, merging the three classifications into an *Estate Tax Act*, known as Article 10-C, which supersedes all other death taxes in that state. The new act is similar to the Federal Estate Act in its design and operation, and has a maximum rate of 16%. A much larger volume of revenue is anticipated by the new act. This act is effective as of September 1, 1930.

The State of Pennsylvania has an estate tax act embracing two groups of legatees or beneficiaries and carries flat rates of two and ten per cent, respectively. Under the law Pennsylvania collected approximately $25,000,000 in 1929. Group One embraces lineals and Group Two all others. This is a simple law to administer, but it is understood that the cost of collection in Pennsylvania is rather high due to peculiar administrative features. The State of Illinois collects in excess of $12,000,000 annually from this source. The State of New Jersey collected for the year ending June 30, 1930, $16,003,036.16. The State of Massachusetts collects annually approximately $10,000,000, and the State of Michigan approximately $5,000,000. (For additional data, see Tables XI—11 and XI—12, pages 316 and 317.)

The revenue from this source in West Virginia over a period of five years with the percentage it bears to the total general revenue and the cost of collection will be found in the following table, the year representing the fiscal year ending June 30 in each instance:

TABLE XI—1: WEST VIRGINIA INHERITANCE TAX YIELDS AND COSTS

Year	Total State General Revenue	Amount Inheritance Tax Collected	% to Total General Revenue	%a Cost of Collection
1926	$7,927,723.00	$ 802,731.55	10.12	.8
1927	8,847,115.00	1,027,733.58	11.6	.68
1928	9,303,900.00	667,456.54	7.17	1.04
1929	8,917,562.00	1,233,501.11	13.8	.56
1930	8,574,000.00	752,070.98b	8.8	.9

a—The percentage of cost of collection includes also the office cost of collecting and disbursing tax forfeitures which amount to approximately $175,000 annually

b—This is the first year under the present reciprocity statute which practically repealed all revenue on estates of non-residents which amounted to approximately $300,000 annually. The only inheritance tax applicable to estates of non-residents under the present law of this state is that upon the transfer of tangible personal property and real estate situated within this state. This is negligible. The largest holdings of non-residents in this state are represented by shares of stock of West Virginia corporations and they fall under the reciprocity act.

The cost of collection of death tax revenue in this state compares favorably with costs in most states. In recent years, similar or lower costs are found in Indiana, Maine, Massachusetts, Michigan, Minnesota, and Virginia. See Table XI—13, page 318.

RECIPROCITY AND RECENT COURT DECISIONS

West Virginia has not been one of the most progressive states in inheritance tax matters. As noted earlier, however, the 1929 Legislature lowered maximum rates, simplified the whole schedule and adopted reciprocity with other states. Reciprocity is a great step toward doing away with unjust double taxation and thereby promotes harmony rather than conflict among the states. Nevertheless, there are some who ask whether West Virginia should sacrifice approximately $300,000 a year in revenue from non-residents for the sake of being just to taxpayers and neighborly to its sister states. A compromise that would promote both justice and harmony, if generally adopted, and which would require less sacrifice on the part of states having much property owned by non-residents, would be the application of half the usual rates by both *situs* and *domicile* states. Of course, the fact that reciprocity has already made much headway gives it a great advantage over any alternative, although the latter might be intrinsically as good. Few, however, would

want to return to the chaotic interstate relations which the reciprocity movement has been instrumental in improving. Furthermore, there are indirect benefits to be derived from reciprocity. Clients of leading investment houses are advised of the advantages of securities of corporations whose properties and places of business are in reciprocity states, and similarly of the disadvantages of being taxed by the non-reciprocity states. This has its effect upon the interest rate and upon the development of different states.

The reciprocity principle has effected non-taxable relations in the matter of taxing the transfer of intangibles owned by non-residents in all of the states of the Union, except the following which have not yet adopted this principle: Arizona, Kansas, Kentucky, Oklahoma, Louisiana, Minnesota, Montana, North Dakota, South Dakota, and Utah. West Virginia, however, does not recognize reciprocity with the following states which have no death tax laws: Alabama, Florida, Nevada, and District of Columbia, and the Canal Zone. (See pages 309, 310.)

Following the great extension of voluntary reciprocity between the states during the past few years, we have some recent court decisions which give the movement added impetus. In these cases the courts have turned right-about-face and reversed a strong line of time honored decisions which have guided the commonwealths in the levying of public revenue. The recent cases of Rhode Island Hospital Trust Company v. Doughton,[1] and Farmers Loan and Trust Company v. Minnesota[2] practically eliminate multiple taxation on the devolution of certain intangibles. These United States Supreme Court decisions are far reaching, particularly the Minnesota case.[3] This decision will undoubtedly influence future legislation dealing with indirect taxation and also with direct taxation of intangibles.

Justice McReynolds in writing the opinion, in which Justice Stone wrote a concurring opinion, did not deal specifically with the principle of taxing transfers of corporate stock, the question of taxing bonds being under consideration. But from the comment of the Court one may surmise what its attitude will be with respect to the taxation of corporate stocks. Justice Holmes wrote a dissenting opinion, however, in which Judge Brandeis concurred, which, to many students of the decision, is stronger and more logical than the opinion of the Court. The dissenting opinion in the

[1] 270 U. S. 69 (1926).
[2] 280 U. S. 204 (1930).
[3] See also *Baldwin* v. *Missouri* (1930) 281 U. S. 586, and *Safe Deposit Co.* v. *Virginia* (1929) 280 U. S. 83.

Minnesota case might furnish the Court with justification in again reversing itself in future years, thereby making taxation of the transfer of corporate securities again legal and just. West Virginia is proceeding with the collection of the tax on transfers of stock in all cases pending prior to the date the reciprocity law became effective on June 3, 1929, and without serious opposition.

The Federal Estate Tax Credit

About half of the states of the Union have amended their laws to take full advantage of the 80% credit allowed by the Federal Estate Tax.[1] West Virginia has not yet done this but it might do so. A proper amendment would not mean that the citizens of this State would be subject to an additional penny of tax; rather it would mean that the Federal government would relinquish more tax to this State in the form of credits. It is the intent of the Federal law to thus strengthen the state inheritance taxes against the influence of such states as Florida. Because of the large exemption of $100,000 in the Federal law, however, West Virginia could not expect much increase in revenue by such an amendment.

Discussion and Suggestions for West Virginia

Rates, Exemptions, and Yields

Tables XI—11 and XI—12 in the appendix to this chapter[2] show West Virginia's relative position among the states in the matter of inheritance taxation. Of total state and local taxes, this State has been getting from 1% to 1½% from the inheritance tax, whereas Pennsylvania and New Jersey have been getting over 4%, and numerous other states from 2% to 3%. On the other hand, several states have been getting a much smaller fraction and a few nothing at all. This State's position among those having low costs of administration has already been noted. (See Table XI—13, p. 318.)

A comparison of rates should be made in connection with exemptions.[3] In the case of an inheritance tax, as contrasted with an estate tax, a large number of direct heirs cuts down the tax very rapidly. So a discussion, to be exact, must refer to a particular set of conditions. Tables Nos. XI—6 to XI—9 are calculated for estates divided between a widow and one child.[4] It will be seen that under the present law, that is, prior to the taking effect of the Code of January 1, 1931, West Virginia ranks twelfth among

[1] See p. 315.
[2] Pp. 316, 317.
[3] See pp. 311, 312.
[4] Pp. 313, 314.

the states in amount of tax collected from a net estate of $50,000. This rank is changed to thirty-second by the larger exemptions of the new code. On an estate of $200,000, this State's rank is fourth highest; on $1,000,000, ninth highest; on $10,000,000, twenty-seventh. The higher exemptions of the new code do not affect the rank of this State in the cases of these larger estates.

The slashing of the maximum rates from 35% to 10% by the 1929 Legislature appears rather extreme. It is also difficult to justify no differentiation in rates between nearest relatives and total strangers on amounts above $500,000, not to mention the relatively small differentiations between different classes of heirs upon amounts over $50,000.

As already mentioned, the larger exemptions of the new code mean less state revenue. For widows and children having no means of support other than these sums, they do not seem unreasonably large. The situation is very different, of course, for those receiving much larger legacies, especially where they already have independent fortunes. A system of vanishing exemptions, exemptions which become smaller with the size of the legacy, would result in more revenue, be just as equitable, and only slightly more complicated from an administrative standpoint. Exemptions that take more accurate account of the needs of different beneficiaries and their previous provision for the same would be still more equitable, but probably too complicated administratively for the present.

It is unwise for the state to follow the policy of squeezing the taxpayer for the last possible dollar; due consideration should be given to questions of equity and even to popular opinion of fairness that may not be logical in every case. Reasonable exemptions should be granted, particularly to those actually dependent, and the state can afford to be liberal about taxing insurance while not permitting wholesale evasion through this loop hole. Inheritance taxes are generally believed to be more equitable than estate taxes and it does not appear to be an undue concession to rebate taxes on estates transferred a second or third time within two or three years, as suggested above.

But after having set up a liberal statute, administration should be efficient and evasion carefully guarded against. Lack of space prevents a lengthy discussion of this matter. It may be noted, however, that West Virginia provides for back taxes on evading property when discovered in the settlement of estates. Another common provision which West Virginia lacks but should adopt is

the requirement that banks and others renting safety boxes should let no one have access to such boxes following the death of the user before a representative of the state has inventoried the contents.

Since there is a large turnover of wealth annually, this State should embrace a larger horizon in this field of taxation. According to vital statistics as shown by Dr. Max West, a century embraces three generations. It is estimated that the entire national wealth changes hands through death within each generation, or three times during a century, approximately one thirty-third changing annually through bequests, devises, etc. The devolution of this wealth affords the states a source of substantial revenue from those with ability to pay.

In view of the fact that too frequent changes are undesirable, there is some doubt of the advisability of a general revision of this tax so soon after the radical amendments of 1929, even though some of them went too far. In any case, revision of the inheritance tax should not be allowed to interfere with the much more important task of putting the administration of the property tax upon a sound and equitable basis.

Summary

In order to enable this State to secure a greater abundance of revenue from this source as other states are doing, however, and to provide more consistency in the application of the law, the following suggestions should be seriously considered in any general re-enactment of the law:

(a) The rates should be revised to provide for more differentiation between different classes of relatives and strangers, particularly for the larger estates. The maximum rates on the largest estates, particularly on those going to remote heirs and strangers in blood, are now unduly low. A maximum of 20% would be conservative and justifiable.

(b) The various forms of insurance contracts afford an opportunity for increased revenue. The insurance business is one of large proportions and many large trust and annuity estates are being created which in future years should yield a large amount of additional revenue through death taxation. Some estates are now reaching this source through amended laws and this State could well afford to do so.

(c) A more definite and specific limitation should be provided in the matter of administration costs to safeguard estates. Many abuses are inflicted upon estates, and properties are greatly depleted to the harm and discomfort of the objects of a decedent's bounty by reason of the unprincipled and exhorbitant administration costs.

(d) The old law providing for the appraisal of estates is antiquated and impractical. It is next to impossible to get adequate appraisals. The law should be modernized fixing penalties for failure to perform duties and provide adequate compensation and expense in the listing, examination, and evaluation of assets.

(e) The law and method for arriving at contingent interests in this State are obsolete. The old Northampton table for ascertaining annuities and contingent interests found in Chapter 65, Code, is likewise antiquated and impractical.

Appendix to Chapter XI

Table XI—2: Inheritance and Estate Taxation in Different States

States having inheritance tax only:

Arizona	Indiana	New Jersey	Texas
Arkansas	Kentucky	New Mexico	Washington
Connecticut	Louisiana	Oklahoma	West Virginia
Idaho	Minnesota	South Carolina	Wisconsin
Illinois	New Hampshire	South Dakota	Wyoming

States having both inheritance and estate taxes:

California	Maine	Montana	Pennsylvania
Colorado	Maryland	Nebraska	Rhode Island
Delaware	Massachusetts	North Carolina	Tennessee
Iowa	Michigan	Ohio	Vermont
Kansas	Missouri	Oregon	Virginia

States which have no inheritance or estate tax:

Alabama	Florida
District of Columbia	Nevada

States which have estate tax only:

Georgia	Utah
Mississippi	New York
North Dakota	

States which tax intangible personal property at a flat rate:

California—2% on stock of California corporations owned by non-resident, otherwise same as resident.
Connecticut—2%.
Kentucky—2% on stock of Kentucky corporations.
New Hampshire—2%.
New York—option of 2% on gross estate or 3% on net estate.

States which tax intangible personal property of non-residents:

Arizona	Louisiana	New Hampshire	South Dakota
Idaho	Maine[2]	North Carolina	Texas
Illinois	Michigan	North Dakota	Utah
Indiana	Minnesota	Ohio	Washington
Iowa	Mississippi	Oklahoma	West Virginia
Kansas	Missouri	Oregon	Wisconsin[3]
Kentucky[1]	Montana	South Carolina	Wyoming

States which allow absolute exemption of intangible personal property:

Colorado	Georgia[4]	Massachusetts	Rhode Island
Connecticut	Maine[5]	Nebraska[4]	Tennessee
Delaware	Maryland[3]	New Jersey	Vermont
	Virginia		

Reciprocal states:

Arkansas	Iowa	New Hampshire	Pennsylvania
California	Maine	New Mexico	South Carolina
Connecticut[5]	Maryland	New York	Texas
Idaho	Michigan	North Carolina	Washington
Illinois	Mississippi	Ohio	West Virginia
Indiana	Missouri	Oregon	Wisconsin
	Wyoming		

[1]Taxes no intangibles of non-resident decedent except stock in Kentucky corporations.
[2]Taxes mortgages on real property located within the state.
[3]Intangibles exempt if state of residence of decedent has reciprocal law or exempts intangibles of non-residents.
[4]Taxes no intangible personal property of non-residents.
[5]Under certain conditions.

TABLE XI—3: STATE INHERITANCE TAX EXEMPTIONS [a]

EXEMPTIONS ALLOWED WIDOWS

Rank	State	Amount	Rank	State	Amount
1	Nebraska	One half of estate +$10,000	26	South Carolina	$ 10,000
2	Iowa	One-third of estate + $15,000	27	South Dakota	10,000
			28	Tennessee	10,000
3	Idaho	One-half of Community Property + $10,000	29	Vermont	10,000
			30	Virginia	10,000
4	Kansas	75,000	31	Washington	10,000
5	California	50,000	32	Wyoming	10,000
6	Michigan	30,000	33	Arkansas	6,000
7	Indiana	25,000	34	Louisiana	5,000
8	Rhode Island	25,000	35	New Jersey	5,000
9	Texas	25,000	36	Ohio	5,000
10	West Virginia	25,000	37	Pennsylvania	No Exemption
11	Colorado	20,000	38	Connecticut	10,000 to entire class
12	Delaware	20,000	39	New Mexico	10,000 on entire estate
13	Illinois	20,000	40	Utah	10,000 on entire estate
14	Kentucky	20,000	41	Georgia	100,000 on entire estate
15	Missouri	20,000	42	Mississippi	100,000 on entire estate
16	New York	20,000	43	Alabama	No tax
17	North Dakota	20,000	44	Florida	No tax
18	Montana	17,500	45	Maryland	Entirely Exempt
19	Oklahoma	15,000	46	New Hampshire	Entirely Exempt
20	Wisconsin	15,000	47	Nevada	No tax
21	Arizona	10,000	48	Oregon	Entirely exempt as far as inheritance tax is concerned, but only $10,000 on the entire estate is exempt from the estate tax.
22	Maine	10,000			
23	Massachusetts	10,000			
24	Minnesota	10,000			
25	North Carolina	10,000			

a—Compiled from data received by letter and questionnaire from various state officials; North Carolina, *Report of the Tax Commission*, 1928; Prentice-Hall, *Tax Diary and Manual*, 1930, 1931; New York, *Federal and State Tax Systems*, 1930 and Old Colony Trust Company, *Inheritance Tax Information*, 1930 (pamphlet).

TABLE XI—4: STATE INHERITANCE TAX EXEMPTIONS [a]

EXEMPTIONS ALLOWED MINOR CHILDREN

Rank	State	Amount	Rank	State	Amount
1	Rhode Island	$25,000	25	Missouri	$ 5,000
2	Texas	25,000	26	New Jersey	5,000
3	California	24,000	27	North Carolina	5,000
4	Illinois	20,000	28	North Dakota	5,000
5	Iowa	15,000	29	New York	5,000
6	Kansas	15,000	30	Ohio	5,000
7	West Virginia	15,000	31	Washington	5,000
8	Colorado	10,000	32	Arkansas	4,000
9	Idaho	10,000	33	Delaware	3,000
10	Indiana	10,000	34	Arizona	2,000
11	Kentucky	10,000	35	Montana	2,000
12	Maine	10,000	36	Wisconsin	2,000
13	Massachusetts	10,000	37	Pennsylvania	None
14	Minnesota	10,000	38	Connecticut	10,000 to entire class
15	Nebraska	10,000	39	New Mexico	10,000 on entire estate
16	Oklahoma	10,000	40	Utah	10,000 on entire estate
17	South Dakota	10,000	41	Georgia	100,000 on entire estate
18	Tennessee	10,000	42	Mississippi	100,000 on entire estate
19	Vermont	10,000	43	Alabama	No tax
20	Virginia	10,000	44	Florida	No tax
21	Wyoming	10,000	45	Maryland	Entirely exempt
22	South Carolina	7,500	46	Nevada	No tax
23	Louisiana	5,000	47	New Hamsphire	Entirely exempt
24	Michigan	5,000	48	Oregon	Entirely exempt *b*

a—Compiled from data received by letter and questionnaire from various state officials; North Carolina, *Report of the Tax Commission*, 1928; Prentice-Hall, *Tax Diary and Manual*, 1930, 1931; New York, *Federal and State Tax Systems*, 1930 and Old Colony Trust Company, *Inheritance Tax Information*, 1930 (pamphlet).
b—Entirely exempt as far as inheritance tax is concerned but only $10,000 on the entire estate is exempt from the the estate tax.

TABLE XI—5: STATE INHERITANCE TAX RATES [a]

State	Rates on Most Direct Heirs in Per Cent	Rates on Most Remote Heirs in Per Cent
Arizona	1—2—3—4—5	5—10—15—20—25
Arkansas	1—2—3—4—5—6—7—8—9—10	4—8—12—16—20—24—28—32—36—40
California *b*	4—6—7—8— *c*	5—10—12
Colorado *b*	2—4—5—7—7.5	7—8—9—10—12—14—16
Connecticut	1—2—3—4	5—6—7—8
Delaware *b*	1—2—3—4	5—6—7—8
Idaho	1—2—3—5—7—10	5—10—15—20
Illinois	2—4—6—10—14	10—12—16—20—24—30
Indiana	1—2—3—4—5—6—7—8—10	7—10—12—15—20
Iowa *b*	1—1½—2—2½—3—4—5—6—7	20
Kansas *b*	½—1—1½—2—2½	5—7½—10—12½—15
Kentucky	1—2—3—4—5—6—7—8—9—10—11—12—13—14—15—16	6—8—10—12—14—16
Louisiana	2—3	5—10
Maine *b*	1—1½—2	5—6—7
Maryland *b*	None	5
Massachusetts *b*	1—2—4—5—5½—6—7	5—6—7—8—9—10—11—12
Michigan *b*	1—2—4—6—8	5—10—15
Minnesota	1—2—2½—3—4	5—10—12½—15—20
Mississippi *b*	Tax on entire estate	Tax on entire estate
Missouri *b*	1—2—3—4—5—6	5—10—15—20—25—30
Montana *b*	1—2—3—4	4—8—12—16
Nebraska *b*	1	4—6—8—10—12
New Hampshire	None	5
New Jersey	1—2—3—4—5—6—7—8—9—10—11—12—13—14—15—16	8—10—12—14—16
New Mexico	1 *e*	5*f*
New York *d*	Tax on entire estate	Tax on entire estate
North Carolina *b*	1—2—3—4—5—6—7—8—9—10	7—8—9—10—12—14—16—18—20—22—24—26
North Dakota *g*	Tax on entire estate	Tax on entire estate
Ohio *f*	1—2—3—4	7—8—9—10
Oklahoma	1—2—3—4—4.8, then at .8 intervals to 16	6—7—8—10—11—12—12.8—13.6—14.4—15.2—16
Oregon *h*	None	2—4—6—8—10—15—20—25—
Pennsylvania *b*	2	10
Rhode Island *b*	½—1—1½—2—2½—3	5—6—7—8
South Carolina	1—2—3—4—5—6	4—6—8—10—12—14
South Dakota	1—2—3—4	5—10—15—20
Tennessee *b*	1—1½—2—3—5	5—6—7—8—9—10
Texas	1—2—3—4—5—6	5—6—8—10—12—15—20
Utah *i*	Tax on entire estate	Tax on entire estate
Vermont *b*	1—2—4—5	5
Virginia *b*	1—2—3—4—5	5—7—9—12—15
Washington	1—2—3—4—5	10—12—15—20—25
West Virginia	2—5—10	9—9½—10
Wisconsin	2—4—6—8—10	8—16—24—32—40
Wyoming	2	6

a—Compiled from data received by letter and questionnaire from various state officials; North Carolina *Report of the Tax Commission*, 1923; Prentice-Hall, *Tax Diary and Manual*, 1930, 1931; New York, *Federal and State Tax Systems*, 1930 and Old Colony Trust Company, *Inheritance Tax Information*, 1930 (pamphlet).

b—In addition the estate is taxed on the difference between the inheritance tax and the 80% federal credit, for which rates see footnote (*d*).

c—For widows. Rates for minor children are 1—2—4—7—9—10.

d—Rates equivalent to 80% of federal estate rates, or, .8—1.6—2.4—3.2—4—4.8—5.6—6.4—7.2—8—8.8—9.6—10.4—11.2—12—12.8—13.6—14.4—15.2—16, on entire estate.

e—Additional tax of 1½% on grantee or donee for conveyance taking effect upon death.

f—Additional tax of 3% imposed on grantee or donee for conveyance taking effect upon death.

g—Rates on entire estate are 1—1½—2—2½—3—3½—4—5—6—7.

h—In addition a tax is imposed on the entire estate with the rates 1—1½—2—3—5—7 and 10%.

i—Rates are 3% on the first fifteen thousand dollars above the exemption, and 5% on all amounts over $25,000.

TABLE XI—6: AMOUNT OF STATE INHERITANCE AND ESTATE TAXES ON AN ESTATE OF $50,000 NET, AFTER ALL DEDUCTIONS EXCEPT THE PERSONAL EXEMPTIONS. THE ESTATE IS ASSUMED TO BE DIVIDED EQUALLY BETWEEN A WIDOW AND ONE MINOR CHILD [a]

Rank	State	Amount	Rank	State	Amount
1	Utah	$1,700.00	25	Vermont	$ 300.00
2	Pennsylvania	1,000.00	26	Virginia	300.00
3	Arkansas	900.00	27	Delaware	270.00
4	Louisiana	900.00	28	North Dakota	250.00
5	Wisconsin	660.00	29	Oklahoma	250.00
6	Connecticut	650.00	30	Illinois	200.00
7	Wyoming	600.00	31	Michigan	200.00
8	Oregon	525.00	32	Kentucky	200.00
9	Tennessee	525.00	33	Missouri	200.00
10	Massachusetts	500.00	34	New York	200.00
11	South Dakota	500.00	35	Idaho	150.00
12	**West Virginia**	500.00*b*	36	Indiana	150.00
13	Maine	450.00	37	Nebraska	150.00
14	Colorado	400.00	38	Iowa	100.00
15	New Jersey	400.00	39	Kansas	100.00
16	New Mexico	400.00	40	California	10.00
17	Rhode Island	400.00	41	Alabama	no tax
18	Arizona	380.00	42	Florida	no tax
19	North Carolina	350.00	43	Georgia	none
20	Washington	350.00	44	Maryland	none
21	Ohio	340.00	45	Mississippi	none
22	South Carolina	325.00	46	Nevada	no tax
23	Montana	305.00	47	New Hampshire	none
24	Minnesota	300.00	48	Texas	none

a—Calculated upon the bases of data secured from sources used in making Tables XI-2 to XI-5.

b—Under the new Code, effective Jan. 1, 1931, the exemptions are increased so that the tax on $50,000 estate would be $200.00.

TABLE XI—7: AMOUNT OF STATE INHERITANCE AND ESTATE TAXES ON AN ESTATE OF $200,000 NET, AFTER ALL DEDUCTIONS EXCEPT THE PERSONAL EXEMPTIONS. THE ESTATE IS ASSUMED TO BE DIVIDED EQUALLY BETWEEN A WIDOW AND ONE MINOR CHILD [a]

Rank	State	Amount	Rank	State	Amount
1	Utah	$9,200.00	25	North Carolina	$3,100.00
2	Wisconsin	8,660.00	26	Delaware	2,970.00
3	Arkansas	8,100.00	27	New Jersey	2,900.00
4	**West Virginia**	6,500.00*b*	28	Virginia	2,800.00
5	Massachusetts	5,500.00	29	Maine	2,700.00
6	Louisiana	5,400.00	30	Michigan	2,700.00
7	Vermont	5,300.00	31	Washington	2,700.00
8	Colorado	5,000.00	32	Indiana	2,650.00
9	Minnesota	4,700.00	33	Missouri	2,533.00
10	Connecticut	4,650.00	34	Texas	2,500.00
11	Oregon	4,525.00	35	Iowa	2,233.00
12	Tennessee	4,525.00	36	Idaho	1,950.00
13	California	4,510.00	37	Kansas	1,925.00
14	South Carolina	4,500.00	38	New Mexico	1,900.00
15	South Dakota	4,500.00	39	New York	1,800.00
16	Illinois	4,400.00	40	Michigan	1,200.00
17	Arizona	4,380.00	41	Mississippi	1,200.00
18	Montana	4,305.00	42	Rhode Island	1,200.00
19	Oklahoma	4,250.00	43	Nebraska	1,200.00
20	Kentucky	4,200.00	44	Alabama	no tax
21	Pennsylvania	4,000.00	45	Florida	no tax
22	Wyoming	3,600.00	46	Maryland	none
23	North Dakota	3,500.00	47	Nevada	no tax
24	Ohio	3,180.00	48	New Hampshire	none

a—Calculated upon the bases of data secured from sources used in making Tables XI-2 to XI-5.

b—Under the New Code, effective Jan. 1, 1931, the exemptions are increased so that the tax on a $200,000 estate would be $6,200.

TABLE XI—8: AMOUNT OF STATE INHERITANCE AND ESTATE TAXES ON AN ESTATE OF $1,000,000 NET, AFTER ALL DEDUCTIONS EXCEPT THE PERSONAL EXEMPTIONS. THE ESTATE IS ASSUMED TO BE DIVIDED EQUALLY BETWEEN A WIDOW AND ONE ADULT CHILD [a]

Rank	State	Amount	Rank	State	Amount
1	Wisconsin	$72,660.00	25	New York	$33,800.00
2	Arkansas	70,060.00	26	Delaware	33,200.00
3	Illinois	68,000.00	27	Georgia	33,200.00
4	California	67,650.00	28	Kansas	33,200.00
5	Colorado	63,750.00	29	Maine	33,200.00
6	Oregon	55,525.00	30	Michigan	33,200.00
7	Utah	49,200.00	31	Mississippi	33,200.00
8	South Carolina	47,300.00	32	Missouri	33,200.00
9	West Virginia	46,500.00[b]	33	Nebraska	33,200.00
10	New Jersey	43,900.00	34	North Carolina	33,200.00
11	Massachusetts	42,500.00	35	Ohio	33,200.00
12	Vermont	42,300.00	36	Pennsylvania	33,200.00
13	Kentucky	41,250.00	37	Rhode Island	33,200.00
14	Washington	39,350.00	38	Virginia	33,200.00
15	Tennessee	38,525.00	39	Texas	32,500.00
16	Indiana	36,700.00	40	Louisiana	29,400.00
17	Minnesota	36,700.00	41	Idaho	27,970.00
18	Connecticut	36,650.00	42	Wyoming	19,600.00
19	South Dakota	36,500.00	43	New Mexico	9,900.00
20	Arizona	36,380.00	44	Alabama	no tax
21	Montana	36,305.00	45	Florida	no tax
22	Oklahoma	36,250.00	46	Maryland	none
23	Iowa	35,941.69	47	Nevada	no tax
24	North Dakota	33,800.00	48	New Hampshire	none

a—Calculated upon the bases of data secured from sources used in making Tables XI-2 to XI-5.
b—Under the new Code, effective Jan.. 1, 1931, the exemptions are increased so that the tax on a $1,000,000.00 estate would be $46,200.

TABLE XI—9: AMOUNT OF STATE INHERITANCE AND ESTATE TAXES ON AN ESTATE OF $10,000,000 NET, AFTER ALL DEDUCTIONS EXCEPT THE PERSONAL EXEMPTIONS. THE ESTATE IS ASSUMED TO BE DIVIDED EQUALLY BETWEEN A WIDOW AND ONE ADULT CHILD [a]

Rank	State	Amount	Rank	State	Amount
1	Illinois	$1,326,400.00	25	Arkansas	$959,900.00
2	New Jersey	1,221,900.00	26	Oregon	952,525.00
3	New York	1,068,200.00	27	West Virginia	946,500.00[b]
4	California	1,067,600.00	28	Indiana	882,700.00
5	Colorado	1,067,600.00	29	Kentucky	866,250.00
6	Delaware	1,067,600.00	30	Oklahoma	699,450.00
7	Iowa	1,067,600.00	31	North Dakota	658,515.00
8	Georgia	1,067,600.00	32	South Carolina	587,300.00
9	Kansas	1,067,600.00	33	Texas	562,500.00
10	Maine	1,067,600.00	34	Utah	499,200.00
11	Massachusetts	1,067,600.00	35	Washington	489,350.00
12	Michigan	1,067,600.00	36	Arizona	486,380.00
13	Mississippi	1,067,600.00	37	Idaho	477,850.00
14	Missouri	1,067,600.00	38	Minnesota	396,700.00
15	Nebraska	1,067,600.00	39	South Dakota	396,500.00
16	North Carolina	1,067,600.00	40	Connecticut	393,650.00
17	Ohio	1,067,600.00	41	Louisiana	299,400.00
18	Pennsylvania	1,067,600.00	42	Wyoming	199,600.00
19	Rhode Island	1,067,600.00	43	New Mexico	99,900.00
20	Tennessee	1,067,600.00	44	Alabama	no tax
21	Vermont	1,067,600.00	45	Florida	no tax
22	Virginia	1,067,600.00	46	Maryland	none
23	Montana	1,440,305.00	47	Nevada	no tax
24	Wisconsin	972,660.00	48	New Hampshire	no tax

a—Calculated upon the bases of data secured from sources used in making Tables XI-2 to XI-5.
b—Under the new Code, effective Jan. 1, 1931, the exemptions are increased so that the tax on a $10,000,000.00 estate would be $946,200.

TABLE XI—10: FEDERAL TAXATION OF ESTATES SHOWING 80% CREDITS WHICH STATES MAY SECURE

(Under the Federal Act of 1926, the Present Law)

TAX ON NET ESTATE AFTER ALL DEDUCTIONS AND EXEMPTIONS

Exceeding	Not Exceeding	Amount of Block	Rate %	Tax	Total	80% of Total
$ ..	$ 50,000	$ 50,000	1	$ 500	$ 500	$ 400
50,000	100,000	50,000	2	1,000	1,500	1,200
100,000	150,000	50,000	3	1,500	3,000	2,400
150,000	200,000	50,000	3	1,500	4,500	3,600
200,000	250,000	50,000	4	2,000	6,500	5,200
250,000	400,000	150,000	4	6,000	12,500	10,000
400,000	450,000	50,000	5	2,500	15,000	12,000
450,000	600,000	150,000	5	7,500	22,500	18,000
600,000	750,000	150,000	6	9,000	31,500	25,200
750,000	800,000	50,000	6	3,000	34,500	27,600
800,000	1,000,000	200,000	7	14,000	48,500	38,800
1,000,000	1,500,000	500,000	8	40,000	88,500	70,800
1,500,000	2,000,000	500,000	9	45,000	133,500	106,800
2,000,000	2,500,000	500,000	10	50,000	183,500	146,800
2,500,000	3,000,000	500,000	11	55,000	238,500	190,800
3,000,000	3,500,000	500,000	12	60,000	298,500	238,800
3,500,000	4,000,000	500,000	13	65,000	363,500	290,800
4,000,000	5,000,000	1,000,000	14	140,000	503,500	402,800
5,000,000	6,000,000	1,000,000	15	150,000	653,500	522,800
6,000,000	7,000,000	1,000,000	16	160,000	813,500	650,800
7,000,000	8,000,000	1,000,000	17	170,000	983,500	786,800
8,000,000	9,000,000	1,000,000	18	180,000	1,163,500	930,800
9,000,000	10,000,000	1,000,000	19	190,000	1,353,500	1,082,800
10,000,000	..	..	20	..	..	..

a—North Carolina, *Report of the Tax Commission* 1928, p. 523.

TABLE XI—11: STATE INHERITANCE AND ESTATE TAX COLLECTIONS[a]

	1925	1926	1927	1928	1929	1930
California	$6,423,134	$7,424,174	$8,461,549	$10,963,174	$13,180,226	$11,647,010
Colorado	911,210	876,006	1,544,093[b]		719,984	683,856
Connecticut	2,872,813	2,506,930	2,601,557	3,010,652	3,598,333	3,619,744
Delaware	86,032	140,785	190,574	621,706	2,576,275	1,852,974
Georgia	..	..	..	..	700,000	..
Idaho	15,292	22,229	12,701	30,937	31,201	..
Illinois	14,345,392[b]		20,903,998[b]		..	..
Indiana	952,771	1,047,238	1,108,947	1,171,523	1,213,183	..
Iowa	1,073,040	1,121,533	1,128,208	1,221,063	1,129,939	1,259,012
Kansas	328,550	396,742	441,115	667,557	630,647	355,429[c]
Kentucky	387,503	689,549	667,393	734,311	1,012,629	1,034,891
Louisiana	466,894[g]	606,788[g]	627,899[g]	676,279	..	..
Maine	1,373,655	687,898	799,556	1,693,269	924,926	1,013,190
Maryland	741,842	701,063	591,152	746,870	757,563	636,000[c]
Massachusetts	5,920,307	6,511,302	10,751,882	10,337,738	12,082,348	..
Michigan	2,507,860	2,159,984	1,952,068	2,324,017	3,337,567	5,423,010
Minnesota	1,116,196	1,022,112	1,278,413	1,389,580	1,686,159	1,690,588
Mississippi	237,121	218,261	169,596	133,866	31,087	32,571[c]
Missouri	1,165,500	1,901,305	1,960,553	3,056,262	2,729,738	2,556,206
Montana	193,891	1,029,070	535,951	654,369	155,632	203,496
New Hampshire	278,587	334,031	353,274	414,037	381,410	472,486
New Jersey	6,519,716	7,199,549	11,407,663	11,394,556	7,617,868	16,003,036
New Mexico	41,110	19,556	23,505	25,698	57,457	33,456
New York	23,594,767	22,222,748	24,479,953	35,566,274	47,164,582	50,395,171
North Carolina	765,862	856,115	814,540	710,446	1,022,927	1,385,525
North Dakota	46,843[g]	36,320[f]	63,376[f]	69,167	74,649	..
Ohio	3,352,068	5,392,020	5,698,138	6,488,777	6,343,759	7,038,906
Oklahoma	96,176	293,493	159,952	332,099	414,128	182,979
Oregon	500,670	616,902	440,337	700,212	1,000,311	486,000[c]
Pennsylvania	13,419,895	16,511,253	18,494,344	15,788,148	25,187,959	..
Rhode Island	435,458	421,515	718,006	566,319	1,668,830	..
South Carolina	461,817	292,915	227,095	161,479	353,906	..
South Dakota	201,163	170,463	146,300	266,379	201,885	224,775
Tennessee	299,704	624,458	516,046	425,375	520,130	444,025
Texas	587,546[f]	1,013,645[f]	1,561,926[g]	..	..	..
Utah	368,477	774,296	387,558	268,332	343,890	..
Vermont	328,478	228,740	434,357	362,511	502,436	509,209
Virginia	620,281	769,873	841,731	768,932	941,440	1,117,271
Washington	443,398	533,063	662,797	697,855	655,178	227,580
West Virginia	875,743[g]	802,731	1,027,733	667,456	1,233,501	752,070
Wisconsin	3,181,989	2,199,330	2,439,056	3,706,934	2,942,400	2,650,000
Wyoming	44,880	45,817	22,758	139,518	34,626	22,416

a—Compiled from data received by letter and questionnaire from various state officials.
b—Two years yield.
c—Half year.
d—For 6 months only.
e—Approximate.
f—Reports of State Treasurers, 1926, 1927.
g—U. S. *Financial Statistics of States*, 1925, 1926, 1927, Table 7.

TABLE XI—12: INHERITANCE TAX COLLECTIONS COMPARED WITH TOTAL STATE AND LOCAL TAXES, 1926, 1927

(In Thousands of Dollars)

State	Total State and Local Taxes *a* 1926	1926 Inheritance Tax	% of Total State and Local Taxes	Total State and Local Taxes 1927	1927 Inheritance Tax	% of Total State and Local Taxes
Arizona	$ 19,836	$ ..	..	$ 20,638	$ ..	..
Arkansas	35,181	..	..	38,388	..	..
California	336,829	7,424	2.20	346,490	8,462	2.44
Colorado	52,079	876	1.68	53,998	772	1.43
Connecticut	82,541	2,507	3.04	87,351	2,602	2.98
Delaware	11,199	141	1.26	11,265	191	1.70
Georgia	54,234	..	..	57,640	..	..
Idaho	23,399	22	.09	23,724	13	.06
Illinois	329,282	..	..	344,399	..	..
Indiana	149,989	1,047	.70	153,504	1,109	.72
Iowa	120,602	1,122	.93	124,535	1,128	.91
Kansas	91,916	397	.43	96,763	441	.46
Kentucky	60,882	690	1.13	65,539	667	1.02
Louisiana	66,311	..	..	68,191	..	..
Maine	35,136	688	1.96	37,354	800	2.14
Maryland	62,677	701	1.12	66,789	591	.88
Massachusetts	270,333	6,511	2.41	277,906	10,752	3.87
Michigan	247,264	2,160	.87	277,579	1,952	.70
Minnesota	146,534	1,022	.70	153,474	1,278	.83
Mississippi	50,013	218	.44	53,963	170	.32
Missouri	126,552	1,901	1.50	132,214	1,961	1.48
Montana	29,007	1,029	..	28,430	536	..
Nebraska	62,342	..	..	62,732	..	..
New Hampshire	23,220	334	1.44	24,013	353	1.47
New Jersey	249,876	7,200	2.88	275,809	11,408	4.13
New Mexico	10,323	20	1.94	10,730	24	2.24
New York	798,520	22,223	2.78	869,288	24,480	2.82
North Carolina	80,698	856	1.06	84,564	815	.96
North Dakota	33,443	..	..	32,622	..	..
Ohio	302,974	5,392	1.78	319,837	5,698	1.78
Oklahoma	84,626	293	.35	85,580	160	.19
Oregon	57,389	617	1.08	60,756	440	.72
Pennsylvania	409,045	16,511	4.04	424,288	18,494	4.36
Rhode Island	29,002	..	..	31,127	..	..
South Carolina	39,731	293	.74	40,693	227	.56
South Dakota	39,676	170	.43	38,794	146	.39
Tennessee	56,346	624	1.11	59,345	516	.87
Texas	158,281	..	..	172,313	..	..
Utah	21,978	774	3.52	22,935	388	1.69
Vermont	14,577	229	1.57	15,705	434	2.76
Virginia	65,939	770	1.17	72,374	842	1.16
Washington	81,412	533	.65	88,010	663	.75
West Virginia	62,026	802	1.29	64,619	1,026	1.59
Wisconsin	143,855	2,199	1.53	156,923	2,439	1.55
Wyoming	11,567	46	3.98	11,918	23	1.93

a—National Industrial Conference Board, *Cost of Government in United States, 1927—1928*, p. 73; supplemented by correspondence.

TABLE XI—13: COST OF ADMINISTRATION—INHERITANCE TAX[a]

PER CENT OF COLLECTIONS

State	PERCENT					
	1925	1926	1927	1928	1929	1930
California	.93	.89	.93	.64	..	..
Colorado	2.8	2.8	3.2	3.2	h	h
Indiana c	..	..	..	.34—.38	.32—.37	..
Kentucky	3.4	2.	2.	2.	1.5	1.5
Louisiana	Covered by a fee payable in addition to the tax.					
Maine	.37	.79	.8	.39	.72	.69
Massachusetts	1.16	1.07	.66	.69	.59	..
Michigan	.45	.52	.60	.48	.34	.22
Minnesota d	About .5 of 1% to 1% per year.					
Mississippi	5.	5.75	7.	5.75	.24	8.
Montana	4.	8.	1.5	1.2	5.2	4.
New Hampshire	Average for the entire period 2%.					
New Jersey	2.00	1.94	1.16	1.18	1.80	1.05
New Mexico e	Average for the entire period 7% to 12%.					
New York	2.47	2.55	2.50	1.76	..	..
North Carolina	..	4.38	3.75	4.18	3.04	2.44
Oklahoma f	Approximately 1.7					
Pennsylvania	12.16	5.85	5.31	..	..	..
South Carolina	1.73	2.73	3.52	4.95	2.26	..
South Dakota g	..	..	..	..	1.56	approximately
Tennessee	5% deducted by County Court Clerk for costs.					
Virginia	.69	.55	.50	.55	.46	.56
Washington	4.37	5.33	3.78	3.82	4.55	....
West Virginia	..	.8	.68	1.04	.56	.9
Wisconsin	..	..	2.1	1.5	..	..
Wyoming b	13.37	13.09	26.36	4.30	17.33	26.77

a—Compiled from data received by letter and questionnaire from various state officials. Incompleteness of table is due to the fact that costs of administration have not been allocated in many cases.
b—$6,000 per year, approximately.
c—$4,000 in salaries plus postage, annually.
d—$10,000 to $12,000 per year.
e—$3,500 to $4,000 per year.
f—$3,000 per year
g—$3,500 per year.
h—"Costs are running about the same as for 1927-28", questionnaire, July 24, 1930.

Chapter XII

GASOLINE AND MOTOR VEHICLE TAXES

MOTOR vehicle taxes imposed by the states or their political subdivisions are of three main kinds:

1. License fees.
2. Gasoline taxes.
3. General property taxes.

Are these taxes justifiable and if so, what proportion of the total should be assigned to each?

PROPER BASES OF MOTOR VEHICLE TAXATION

An excellent study of this subject has been made by the United States Bureau of Standards. In its report, the Bureau says in part:

> "A satisfactory tax system must first of all be equitable, that is, it must distribute the cost among the different vehicles in such manner that each vehicle is assessed according to the justification for taxing such vehicle. The greatest and most evident justification for taxing is to defray the expenses incurred by the state due to the operation of the motor vehicles, and the first approximation to an equitable system would be one which would tax each vehicle in proportion as that vehicle is responsible for these expenses. It is also desirable in the interests of public utility, and convenience, that taxes should be so imposed that they penalize wherever possible those vehicles which are inefficient in the use of the highways or the nation's fuel resources, and thus encourage a relative increase in vehicles which bring about improvement and progress in highway transportation."

MAJOR FACTORS TO BE CONSIDERED

Proceeding on these premises, it is found that the major factors to be considered in taxing a vehicle are:

1. The weight imposed upon the road surface by the vehicle and its load.
2. The number of miles it travels during the taxable period.
3. The type of tire with which the vehicle is equipped.

Weight of Vehicle and Load

The characteristic of most importance so far as the road is concerned is found to be the gross weight of the loaded vehicle. It is

gross weight which is actually carried by the roadway, gross weight which largely determines the amount of highway damage, and gross weight for which new bridges and new highways must be designed. In addition, gross weight is the only characteristic common to all of the various types of vehicles which is, for each type, closely related to the use and consequent deterioration of the road.

Mileage Traveled

But gross weight alone would not impose an equitable total tax, because it is evident that the total damage done to a road surface by a vehicle which travels 10,000 miles a year is greater than by one of the same gross weight which travels 5,000 miles. Miles traveled must, therefore, be included.

Type of Tires

Solid tires are more destructive to roads than pneumatic tires on a similar vehicle. Just how much more is not definitely known, according to the Bureau of Standards, but it is concluded that a somewhat higher tax is certainly justified.

Gross weight may be effectively reached both by license fees and by the gasoline tax. The operation of the gasoline tax in this respect is automatic, since it requires more gallons to carry a heavy vehicle over the road than to carry a lighter vehicle. The gasoline tax, however, cannot collect the proper amount of tax from those vehicles which are so heavy as to inflict more than their proportionate share of damage on the road, so such vehicles must be reached by license fees designed to compensate to some extent at least for the extra damage.

The Bureau of Standards reaches the conclusion that light cars may be equitably taxed by the gasoline tax alone, and that registration fees for such cars should therefore be very small. In the case of the heavier cars, a rising scale of registration fees is recommended.

All cars, of course, must be registered for purposes of record and identification, and the cost of this work must be charged against them. The Bureau makes no mention of highway patrol work, which, it would appear, might also be a proper charge added to license fees, in part, and in part to the gasoline tax.

It has been determined by the Bureau of Standards that roads designed to carry 3-ton vehicles without undue deterioration would be satisfactory for about 95% of the vehicles in use today. To accommodate four of the remaining five per cent, it is found that roads of double this strength would be required, while to be correspondingly safe for the heaviest group, weighing up to 15 tons and constituting about one per cent of the total number of vehicles, roads from three to five times as strong would be necessary.

The Bureau also finds that in practice, a road of normal design for general traffic will carry, without undue damage, a limited number of the heaviest vehicles now permitted by state laws, and it is only those highways which are used by a considerable number of the heavy vehicles that must be especially designed for their use. The additional costs of the stronger roads, however, and the excessive maintenance costs of the lighter roads, where the stronger roads are not provided, are directly chargeable to the relatively small number of heavy vehicles.

Up to the present time heavy vehicles have been relatively scarce, and it appears probable that if they were taxed entirely on a basis of cost to the state, the taxes would be prohibitive. The Bureau of Standards calls attention, in this connection, to the fact that large trucks and busses are built in response to a demand for vehicles which will transport large loads efficiently. A single large truck or bus, it is pointed out, will carry the load of six or seven small vehicles at a much lower cost per mile and it will occupy less road space and often cause less traffic congestion than the numerous vehicles it replaces.

For these reasons, large vehicles are becoming increasingly numerous and popular. If the number of heavy vehicles continues to increase, if their loads are distributed on six or more wheels equipped with pneumatic tires, and if methods of constructing highways are improved and cheapened, then, the Bureau concludes, the cost per vehicle for this class will be considerably less than at present. Due to these considerations, it is believed that prohibitive fees would not be desirable.

To tax a vehicle according to miles traveled the gasoline tax is ideal, and is the only practicable way by which such a charge may be imposed, except on vehicles operated for hire between fixed termini.

The penalty on solid tires must be imposed by a special license tax applying to this type.

TABLE XII—1: AVERAGE MOTOR VEHICLE TAX IN THE UNITED STATES, 1929 [a]

Rank on Basis of Total	State	Average Gasoline Tax	Average License Tax	Average Property Tax	Total Average Per Motor Vehicle
1	Nevada	$20.44	$ 9.30	$52.28	$82.02
2	Florida	35.35	14.33	10.00	59.68
3	Mississippi	28.70	11.85	12.41	52.96
4	Arkansas	28.66	18.07	4.00	50.73
5	Rhode Island	11.54	17.94	20.00	49.48
6	Georgia	28.49	12.73	6.90	48.12
7	Kentucky	23.26	16.17	8.40	47.83
8	Louisiana	24.85	16.11	6.64	47.60
9	New Mexico	29.22	9.66	8.50	47.38
10	Tennessee	25.63	11.83	9.30	46.76
11	Maine	20.10	16.42	10.18	46.70
12	Virginia	25.55	15.87	5.00	46.42
13	South Carolina	29.71	11.56	5.00	46.27
14	Connecticut	12.49	24.36	9.29	46.14
15	Alabama	24.88	13.08	7.80	45.76
16	Oregon	16.89	28.42	..	45.31
17	Vermont	18.31	25.15	..	43.46
18	North Carolina	24.83	14.57	3.38	42.78
19	New Hampshire	20.82	20.65	..	41.47
20	Washington	13.44	17.06	10.87	41.37
21	Wyoming	21.36	10.67	9.10	41.13
22	West Virginia	18.12	16.98	4.91	40.01
23	Arizona	23.48	6.87	8.80	39.15
24	California	17.32	5.31	15.00	37.63
25	Pennsylvania	20.63	16.88	..	37.51
26	Maryland	19.69	11.30	6.25	37.24
27	Ohio	19.29	7.28	10.40	36.97
28	Delaware	17.03	18.62	..	35.65
29	Texas	16.55	15.15	3.28	34.98
30	Moutana	19.96	11.04	3.00	34.00
31	Nebraska	18.65	10.26	3.98	32.89
32	South Dakota	17.36	15.43	..	32.79
33	Colorado	17.19	6.05	9.36	32.60
34	Utah	17.57	7.44	7.25	32.36
35	Massachusetts	11.93	8.70	11.33	31.96
36	Michigan	15.28	16.64	..	31.92
37	Idaho	16.48	15.14	..	31.62
38	Missouri	10.15	12.81	8.60	31.56
39	Oklahoma	18.99	12.20	..	31.19
40	Indiana	18.01	7.21	5.24	30.46
41	Wisconsin	9.43	14.84	6.15	30.42
42	New Jersey	12.01	17.79	..	29.80
43	Kansas	14.06	9.80	5.16	29.02
44	Illinois	7.21	10.57	9.37	27.15
45	Iowa	11.92	15.19	..	27.11
46	Minnesota	12.17	14.85	..	27.02
47	New York	8.43	16.92	..	25.35
48	North Dakota	9.58	10.58	..	20.16
49	District of Columbia	9.43	4.40	3.75	17.58
	Average of all states and District of Columbia	..	..	..	38.88

a—For the year 1930, there will no doubt be a few changes in the respective standings as given above, owing to changes in the gasoline tax rate. In 1929 Illinois collected a gasoline tax for the last five months only and New York for the last eight months only. States which increased the rate at some time within the year included Colorado, Florida, Georgia, Indiana, Kansas, Minnesota, Montana, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Washington, and Wyoming. States in which the gasoline tax rate will be higher in 1930 than at any time in 1929 are Oregon and Idaho—Oregon the entire year and Idaho from March 1. New Jersey will vote on a higher rate in November. The Pennsylvania rate reverted to 3 cents on July 1, the 4-cent rate having been adopted for one year only. Kentucky has reduced license fees 25%, effective in 1930.

Gasoline and license taxes compiled by the State Road Commission from the official reports of the various states to the U. S. Bureau of Public Roads. Property tax compiled by the Research Department of the American Automobile Association.

GENERAL PROPERTY TAXES ON MOTOR VEHICLES

In its study of motor vehicle taxes, the Bureau of Standards ignores general property taxes entirely, and as a matter of abstract justice, it seems that no such tax should be collected if the aggregate of other taxes is heavy. However, 34 of the states are still assessing general property taxes against motor vehicles. The 14 which do not are Oregon, Vermont, New Hampshire, Pennsylvania, Delaware, South Dakota, Michigan, Idaho, Oklahoma, New Jersey, Iowa, Minnesota, New York, and North Dakota. The fact that such states as New York, Pennsylvania, and Michigan are in this list, gives it considerable significance.

In Table XII—1 is shown the average gasoline tax, the average license tax, and the average general property tax, per motor vehicle, collected by each state, together with the annual total. It will be noted that West Virginia ranks twenty-second for the average of total taxes per motor vehicle.

HOW WEST VIRGINIA MEETS THE TESTS

It appears that West Virginia falls short of the ideal of the Bureau of Standards in the following respects:

1. By charging license fees on a basis of unladen weight or capacity instead of gross weight.
2. By charging a general property tax against motor vehicles.
3. By charging a comparatively high license fee for light cars.
4. By not requiring six wheels and pneumatic tires on heavy vehicles.

It may be, however, that to obtain the total revenue which West Virginia must have, it would not be practicable to carry out this ideal. It is necessary first to determine what total income we shall require, and then divide this total between the motor vehicle fees and the gasoline tax in such a manner that neither shall be excessive.

If we should lower our license fees appreciably, an increase in the gasoline tax would be necessary, and, as explained in the discussion of the gasoline tax, such an increase would be practicable only in case the new rate would not be too much above the rates of adjoining states.

County Assessors Omit Half of Automobiles from Lists

It appears desirable either to abolish the general property tax on motor vehicles or to take steps for more efficient collection. Of 257,258 motor vehicles in the State at the beginning of 1929, the State Tax Commissioner's report shows that only 127,863 were assessed for general property tax.

The average assessed value per vehicle was $185, and the average tax rate for the entire State was $2.656, so that the average per vehicle was $4.91, and the total tax assessed was $627,807.

Of this total, the State levied 19 cents on each one hundred dollars valuation, or $44,943, leaving $582,864 to the counties and districts. Since the annual road bill of the counties and districts is much more than this, it may be considered that all of the general property tax on motor vehicles, except the State's small share, goes for roads.

The 6-wheel and pneumatic tire proposals appear practicable, and a number of our heavy vehicles now have one or both features. If the heavy trucks and busses were all equipped with six wheels and pneumatic tires, a rather large sum would be saved in costs of road construction and maintenance. No undue burden would be imposed upon motor vehicle manufacturers by such a requirement, since there is already a steady tendency toward this type of vehicle, and factories are already equipped to make them.

Effects of Changing Registration Date

If April 1 or July 1 were made the annual registration date instead of January 1, a big increase in license fees would result. With the January 1 date in effect, a great many car owners let their cars remain unused until spring, and the State then receives the fee for only three-fourths of the year. If July 1 were the registration date, virtually every car owner would get his plates at that time, since at that season everyone who has a car wishes to use it. The result would be that virtually all fees paid would be for the entire year, except on new cars bought after July 1.

For the year 1929, the number of vehicles registered up to April 1 was 173,347. Since there were 257,258 registered at the end of the preceding year, some 83,911 cars were not registered for the first three months. The average West Virginia license fee is $16.98 per vehicle, or $4.24 per quarter. At this rate, the sum lost because of the non-registration of 83,911 motor vehicles was $355,782.64.

April 1 or July 1 would also be a period of less financial stringency, since the present registration date comes immediately after Christmas shopping.

One objection is, that considerable clerical inconvenience would be caused by the change in the date of the registration period. Another is, that the plan forces many motor vehicle owners to pay the full year fee, even though they may not be able to use their cars the entire year. With good roads becoming general all over the State, this objection is gradually losing its force. Another objection is that the new plan would be different from that used by other states.

GASOLINE TAXES

Sources of State Road Funds

The State road system of West Virginia, from the time of its creation in 1921 down to the present, has been financed principally by the receipts from two sources of revenue—motor vehicle fees and the gasoline tax. Bond issues have furnished money for the State's share of construction, but bonds are merely a source of funds and not a source of revenue. (See pages 365 and following.)

The income from the motor vehicle license fees and the gasoline tax has provided money for the interest and sinking fund payments of State road bond issues, the costs of State road maintenance, and the overhead expenses of the State Road Commission.

Construction funds have been supplemented by Federal Aid, which, although the total has been small in comparison with that expended by the State, has nevertheless been a welcome and substantial addition to other sums available. Federal Aid is also of value for other reasons. (See pages 346, 365, 382, 384.)

Another source of funds for construction has been bond issues voted by numerous counties and districts. These political subdivisions are not required by law to furnish any money for State road construction, but have done so voluntarily, in order that certain roads within their borders might be completed sooner.

Under the State road law, the rights of way for all State roads are furnished by the various counties. This provision has relieved the State of a considerable expense, and has in some cases brought vigorous protests from county courts, particularly as to rights of way required by the State for widening and relocations.

Development of the Gasoline Tax in the United States

Since the gasoline tax is now producing and will probably continue to produce more state road revenue than any other levy, it becomes a subject of interest and importance in any study of state highway receipts and expenditures.

The gasoline tax was first adopted by the State of Oregon, in February, 1919, when the people of that commonwealth voted, through the initiative, for a tax of one cent a gallon. President Wilson had suggested such a tax to Congress in 1915, and in 1918 it appeared in the first draft of the House revenue bill. It was later eliminated and no further action has been taken by the Federal government.

North Dakota and New Mexico followed the lead of Oregon in March, 1919, and Colorado in April of the same year. North Dakota and Colorado adopted one-cent rates, while New Mexico levied two cents. In 1920, Kentucky approved a one-cent rate, and in 1921 eleven states joined the preceding five, all with one-cent rates. Each succeeding year witnessed a steady increase, both in the number of states adopting the gasoline tax and the rates levied, until, at the end of 1929 all of the 48 states and the District of Columbia were collecting gasoline taxes, with an average rate of 3.22 cents.

In 1930, three adjoining Southeastern States—Florida, Georgia, and South Carolina—are collecting six cents a gallon. Nine states have five-cent rates, nineteen states, including West Virginia, are in the four-cent column, nine states collect three cents, seven states and the District of Columbia have the lowest existing rate—two cents—and Utah collects three and one-half cents.

In only three instances has the gasoline tax rate been reduced. After starting with a two-cent rate in 1919, New Mexico in 1921 reduced the rate to one cent, at which it remained until 1925, when a three-cent rate was adopted. Starting with a one-cent rate in 1923, Texas advanced to three cents in 1927, reduced the rate to two cents in 1928, and advanced it in 1929 to four cents. Pennsylvania in 1929 increased its three-cent rate to four cents for a period of one year only, to take care of a special highway situation for which other funds were at the time insufficient. On July 1 of this year the rate reverted to three cents. The general tendency, as shown by Table XII—2, has been one of gradual increase.

Table XII—2: Gasoline Tax Rates by States

The Amount of Tax as First Levied and Subsequent Increases, and the Years in Which Such First Levies or Increases Became Effective (Tax in Cents per Gallon)

State	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Alabama	..	..	..	..	2	2	2	2	4	4	4	4
Arizona	..	..	1	1	3	3	3	3	4	4	4	4
Arkansas	..	..	1	1	3	4	4	4	5	5	5	5
California	..	..	..	..	2	2	2	2	3	3	3	3
Colorado	1	1	1	1	2	2	2	2	3	3	4	4
Connecticut	..	..	1	1	1	1	2	2	2	2	2	2
Delaware	..	..	..	..	1	2	2	2	3	3	3	3
Florida	..	..	1	1	3	3	4	4	5	5	6	6
Georgia	..	..	1	1	3	3	3½	3½	4	4	6	6
Idaho	..	..	..	..	2	2	3	3	4	4	4	5
Illinois	..	..	..	..	..	..	..	..	2	2	3	3
Indiana	..	.	..	..	2	2	3	3	3	3	4	4
Iowa	..	..	..	..	..	..	2	2	3	3	3	3
Kansas	..	..	..	..	..	..	2	2	2	2	3	3
Kentucky	..	1	1	1	1	3	3	5	5	5	5	5
Louisiana	..	..	1	1	1	2	2	2	2	2	4	4
Maine	..	..	..	..	1	1	3	3	4	4	4	4
Maryland	..	..	..	1	1	2	2	2	4	4	4	4
Massachusetts	..	..	..	..	..	..	..	..	..	..	2	2
Michigan	..	..	..	..	..	..	2	2	3	3	3	3
Minnesota	..	..	..	..	..	..	2	2	2	2	3	3
Mississippi	..	..	..	1	1	3	3	4	4	5	5	5
Missouri	..	..	..	..	..	..	2	2	2	2	2	2
Montana	..	..	1	1	2	2	2	2	3	3	5	5
Nebraska	..	..	..	..	..	..	2	2	2	2	4	4
Nevada	..	..	..	..	2	2	4	4	4	4	4	4
New Hampshire	..	..	..	..	1	2	2	2	3	4	4	4
New Jersey	..	..	..	..	..	..	..	..	2	2	2	2
New Mexico	2	2	1	1	1	1	3	3	5	5	5	5
New York	..	..	..	..	..	..	..	..	..	..	2	2
North Carolina	..	..	1	1	3	3	4	4	4	4	5	5
North Dakota	1	1	1	1	1	1	1	2	2	2	3	3
Ohio	..	..	..	..	..	..	2	2	3	3	4	4
Oklahoma	..	..	..	..	1	2½	3	3	3	3	4	4
Oregon	1	1	2	2	3	3	3	3	3	3	3	4
Pennsylvania	..	..	1	1	2	2	2	2	3	3	4	4-3
Rhode Island	..	..	..	..	..	..	1	1	2	2	2	2
South Carolina	..	..	..	2	3	3	5	5	5	5	6	6
South Dakota	..	..	..	1	2	2	3	3	4	4	4	4
Tennessee	..	..	..	..	2	2	3	3	3	3	5	5
Texas	..	..	..	..	1	1	1	1	3	2	4	4
Utah	..	..	..	..	2½	2½	3½	3½	3½	3½	3½	3½
Vermont	..	..	..	..	1	1	2	2	3	3	4	4
Virginia	..	..	..	..	3	3	3	4½	4½	5	5	5
Washington	..	..	1	1	1	2	2	2	2	2	3	3
West Virginia	..	..	..	..	2	2	3½	3½	4	4	4	4
Wisconsin	..	..	..	..	..	..	2	2	2	2	2	2
Wyoming	..	..	..	..	1	1	2½	2½	3	3	4	4
District of Columbia	..	..	..	..	..	2	2	2	2	2	2	2

Legally, the gasoline tax is a tax on the sale or use of gasoline. The United States Supreme Court has ruled that it is not a property tax but an excise tax. From what may be termed a social or extra-legal viewpoint, however, it is the modern method of charging toll for the use of the public roads. Formerly, such tolls were collected

by means of toll gates so built that the road could be closed to traffic until the amount due had been paid to the gatekeeper. The vastly greater number of vehicles and the speed at which they travel would make such gates impracticable now.

The last West Virginia toll rate, "for a riding carriage, whether two or four wheeled, if the road be a macadamized road, or a brick road, or some other permanently improved road," was ten cents for each five mile section, or two cents a mile. Assuming that the average motor vehicle travels sixteen miles to the gallon, the toll rate under the present gasoline tax of four cents a gallon, is four miles for one cent, or one-fourth of a cent a mile.

Merits of a Gasoline Tax

That the gasoline tax is the most satisfactory ever levied for highway purposes, and one of the most satisfactory ever devised for any purpose, is believed to be an accurate statement. Some of its advantages are as follows:

1. It automatically taxes a vehicle directly according to the number of miles traveled, and according to the weight of the vehicle. Thus every traveler pays according to the distance he goes, and also, to some extent, in proportion to the amount of wear on the road surface.
2. The gasoline tax brings in revenue from cars from other states, which otherwise would use the highways free of charge.
3. The tax is easy to collect and the cost of collection is small.
4. A minor point is that the gasoline tax automatically "fines" the speeder, because a car driven at high speed will burn more gasoline covering the same number of miles, than a car driven at a more moderate rate.

The Gasoline Tax in West Virginia

West Virginia adopted the gasoline tax in 1923. The rate was two cents a gallon, and the law went into effect July 26. The number of gallons taxed during the remainder of the year was 26,944,015, on which the tax was $538,880.30. (See Table XII—3.) The rate remained at two cents throughout 1924, the number of gallons taxed was 63,875,092, and the amount of tax earned, $1,277,501.84.

In 1925 the rate was two cents for the first half of the year, and 3½ cents for the second half. The number of gallons taxed during

the first half was 32,499,162, an increase of 30.12% over the first half of the preceding year, but for the last half of 1925 the number of gallons taxed, 43,652,610, was an increase of only 12.22% over the last half of 1924. The receipts for the last half were 96.39% greater, owing to the increase in the rate. In this instance, it would appear that the increase from 2 to 3½ cents a gallon operated to cut down the number of gallons taxed. At that time, the tax rate in all of the surrounding states was lower than that of West Virginia, and in some of these states the price of gasoline was lower, before the addition of the tax. In view of this situation, it seems logical to assume that the normal increase took place in the number of gallons consumed by West Virginia motor vehicle owners, but that a great many of our citizens residing near border lines crossed into adjoining states to buy gasoline.

For 1926, with the rate continuing at 3½ cents throughout, the number of gallons taxed during the first half was 34,238,651, and during the second half, 49,814,985. The increase for the first half was only 5.35%. Part of this is explained by a business depression which existed in West Virginia at that time. During the same period, motor vehicle registrations showed a decrease for the first and only time in the history of the State. The price and tax situation in adjoining states, mentioned above, was no doubt another factor. Business improved during the latter half of the year, and gasoline consumption showed an increase of 14.12%.

The rate for the first half of 1927 was 3½ cents, and the number of gallons taxed was 40,528,806, an increase of 18.37%. For the second half the rate was 4 cents, and the number of gallons 59,485,767. By this time, Virginia and Kentucky had higher gasoline tax rates than West Virginia, Maryland had the same rate, and Ohio and Pennsylvania only a cent less, so that the incentive to make trips to nearby points in adjoining states to buy gasoline had been removed or greatly modified. The increase of 19.41% in number of gallons consumed indicates that the half-cent raise in the tax rate was ignored.

In 1928, the rate remained at 4 cents throughout the year. The number of gallons taxed for the first half was 45,724,940, and for the second half 61,827,894. These figures show an increase of 12.82% for the first half of 1928, but only 3.94% for the last half. The abnormally small increase in the second half was noted at the time by state officials, oil companies, and others who conferred about it. The only reason that could be discovered was that the

TABLE XII—3: INCREASE IN NET GALLONS OF GASOLINE TAXED IN WEST VIRGINIA, CONSIDERED IN RELATION TO MILES OF HARD SURFACED ROADS, NUMBER OF MOTOR VEHICLES REGISTERED, AND INCREASE IN THE RATE OF TAX PER GALLON—ALSO THE INCREASE IN GALLONS PER MOTOR VEHICLE EACH YEAR [a]

Year	Miles of Hard Surfaced Roads State System	Increase in Hard Surfaced Mileage	Number Motor Vehicles Registered	Numerical Increase Compared with End of Similar Preceding Period	Percentage Plus or Minus	Gallons of Gasoline Taxed Per Vehicle		Tax Rate Per Gallon	Net Number Gallons Taxed	Increase in Gallons Taxed	Percentage of Increase	Net Receipts Gasoline Tax	Increase in Net Receipts	Percentage of Increase
						Full Year	Half Year							
1921	542	..	98,599	..	..	..		..	..	..	..	..	..	
1922	610	68	114,398	15,799	16.02	..		..	..	..	..	..	..	
1923	779	169	159,706	45,308	39.6	..		..	..	..	..	..	..	..
								2 cents (July 26 to December 31)	26,944,015	..	..	$538,880.30	..	..
1924	978	199	First Half 156,299			..	160	First Half 2 cents	24,976,174	..	..	499,523.48	..	..
			Second Half 192,736	33,030	20.68	331	202	Second Half 2 cents	38,896,918	..	..	777,978.36	..	..
1925	1,263	285	First Half 186,020	29,721	19.01		175	First Half 2 cents	32,499,162	7,522,988	30.12	649,983.24	$150,459.76	30.12
			Second Half 219,366	26,630	13.82	347	199	Second Half 3½ cents	43,652,610	4,753,692	12.22	1,527,841.35	749,862.99	96.39
1926	1,733	470	First Half 184,995	1,025b	0.55		185	First Half 3½ cents	34,238,651	1,739,489	5.35	1,198,352.78	548,369.54	84.38
			Second Half 229,458	10,092	4.6	366	217	Second Half 3½ cents	49,814,985	6,162,375	14.12	1,743,524.47	215,683.12	14.12
1927	2,210	477	First Half 206,456	21,461	11.6		196	First Half 3½ cents	40,528,806	6,290,155	18.37	1,418,508.21	220,155.43	18.37
			Second Half 247,642	18,184	7.92	404	240	Second Half 4 cents	59,485,767	9,670,782	19.41	2,379,430.68	635,906.21	36.47
1928	2,392	182	First Half 213,961	7,505	3.64		214	First Half 4 cents	45,724,940	5,196,134	12.82	1,828,997.60	410,489.39	28.94
			Second Half 257,258	9,616	3.88	418	240	Second Half 4 cents	61,827,894	2,342,127	3.94	2,473,115.76	93,685.08	3.94
1929	2,734	342	First Half 227,392	13,432	6.28		225	First Half 4 cents	51,147,924	5,422,984	11.86	2,045,916.96	216,919.36	11.86
			Second Half 268,888	11,630	4.52	452	262	Second Half 4 cents	70,520,648	8,692,754	14.06	2,820,825.92	347,710.16	14.06
1930			First Half 235,469	8,077	3.55		248	First Half 4 cents	58,569,504	7,421,580	14.51	2,342,780.14	296,863.18	14.51

a—Dealers' license tax and inventory adjustment tax not included.
b—Decrease.

Note—With December estimated, the gasoline tax receipts for the last half of 1930 were $3,236,923.35, an increase of 15.06 percent.
Final figures show the total number of motor vehicles registered at the end of 1930 to be 266,273, a decrease of 2,615 vehicles, or 0.97 of one percent.

weather in the last half of the year was abnormally wet and disagreeable. The same condition had a decidedly adverse effect upon state road construction at that time.

In 1929, with the 4-cent rate effective all the year, the number of gallons for the first half was 51,147,924, and for the second half 70,520,648. The respective percentages of increase were 11.86 and 14.06. The weather in 1929 was normal, and business conditions were better than average.

For the first half of the calendar year 1930, the number of net gallons taxed was 58,569,504, an increase over the same period in 1929 of 7,421,580 gallons, or 14.51%. Total net receipts were $2,342,780.14, an increase of $296,863.18. Since the rate remained at 4 cents, this was also an increase in dollars of 14.51%. For the last half of 1930, with December receipts estimated, the net receipts were $3,246,923.35, an increase of 15.06%.

These percentages of increase are greater than took place in either half of 1929, and indicate that the current business depression is not affecting the use of gasoline.

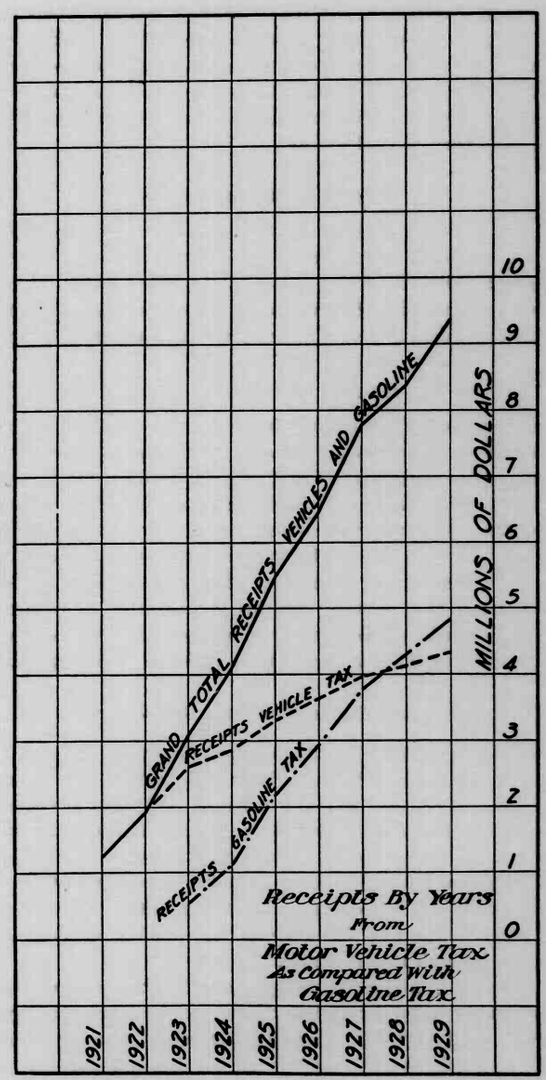
It will be noted, however, that registrations of motor vehicles show an increase of only 3.55% for the first half of 1930, as against an increase of 6.28% for the first half of 1929, and that the number registered at the end of the last half of 1930 shows a decrease of 0.97 of one percent. (See Table XII—3, pp. 330-31.)

It would be possible to increase the annual revenue from the gasoline tax by $1,000,000 or more by raising the rate from 4 to 5 cents. Pennsylvania is the only adjacent state having a rate lower than 4 cents, while two states, Kentucky and Virginia, have 5-cent rates. Authorized bond issues will be exhausted in the near future, so there is more than ordinary reason for other funds from which to advance road building and maintenance. It is not desired to advance construction, bond issues could be paid off more rapidly.

Factors Determining Gasoline Consumption

As the table shows, the mileage of hard surfaced roads in the State increased considerably each year. The increases were 26% in 1924, 29% in 1925, 37% in 1926, 28% in 1927, 8% in 1928, and 14% in 1929. While hard surfaced roads are one of the fundamental factors in bringing about the purchase of motor vehicles and the use of gasoline, there is no direct year-to-year relationship shown. It is clear that there can be no such relationship, as the State may build a considerable mileage of new roads in a year of

Chart XII—1



business depression, and, on the other hand, may have only a small road program in a year of business prosperity. In the year of business depression, the number of cars bought will be comparatively small, regardless of the new roads, and in the year of good business many cars will be bought, even though the additional mileage of hard roads be small.

Number of Motor Vehicles

It will be noted by referring to the table that the percentage of increase in the amount of gasoline consumed is in virtually every case greater than the increase in the number of motor vehicles for the same period. In other words, the amount of gasoline consumed per motor vehicle increases faster than the number of vehicles.

Mileage of Improved Roads

This is probably due in part to the steady increase in the mileage of improved roads. After exhausting the travel possibilities in his immediate vicinity the owner of a car consults his friends or a road map as to new and more distant scenes to visit. If the roads be available he makes these longer trips and thus consumes more gasoline. As the roads get better, too, there is more travel by cars from other states, with consequent increase in gasoline sales.

The two factors revealed by this investigation to be decidedly adverse to gasoline consumption in a given state are bad weather and prices substantially higher than those in adjoining states.

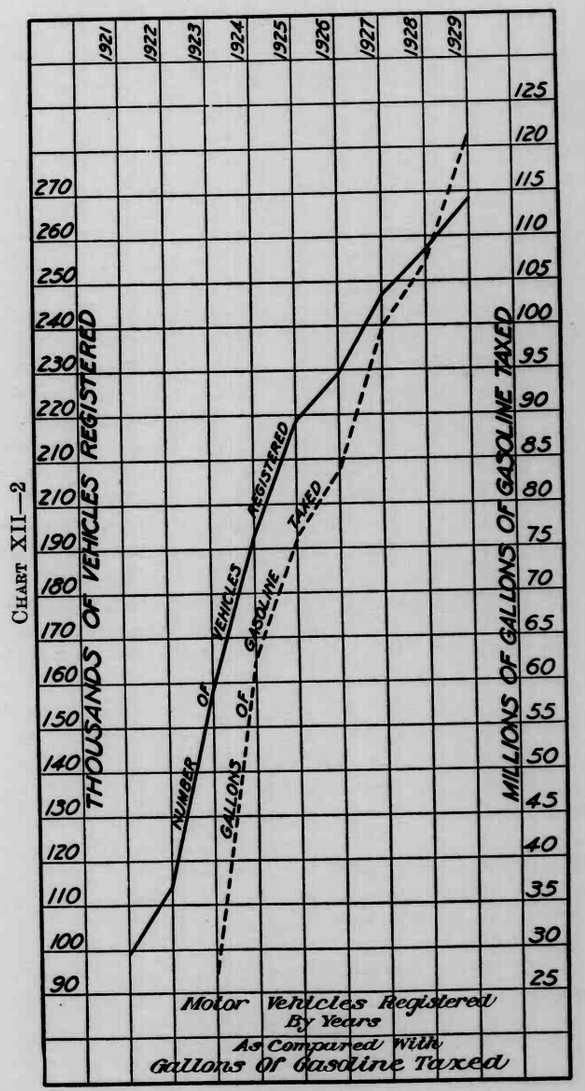
Business Depressions and Bad Weather

For the first half of 1926 the combination of lower prices in adjoining states and a business depression held the rate of increase down to 5.35%, but the bad weather of 1928 had a worse effect than higher prices and depression combined, since the increase during the bad weather period was only 3.94%.

It is obvious that the number of motor vehicles registered is one of the controlling influences in the total quantity of gasoline used. The other controlling influence is the number of gallons used annually by each motor vehicle.

In West Virginia, as shown by the table, the number of gallons consumed annually per motor vehicle has increased steadily, year by year. Only two half years have failed to show an increase in number of gallons per vehicle since the tax was adopted. These

Chart XII—2



were the second half of 1925, when the average decreased three gallons per vehicle, and the second half of 1928, when the average remained the same as in the second half of 1927. The causes affecting these two half years—lower prices in adjoining states and bad weather—have already been mentioned.

Since the causes which bring about increases in the number of motor vehicles in a state are not wholly identical with the causes which increase the number of gallons of gasoline used per vehicle, it has been deemed desirable to make a separate study of the causes affecting the number of gallons per vehicle. So far as is known, this is the first time that such a study has been attempted.

The average number of gallons taxed per motor vehicle registered was determined by taking the total number of gallons taxed in each state in 1929, as reported to the Bureau of Public Roads, and dividing this total by the total number of motor vehicles registered in each state for 1929. The averages having been found, the causes which produced them were sought. The following factors were listed: percentage of state roads surfaced; percentage of all roads surfaced; climate; percentage of population in cities and towns; number of motor vehicles registered; gasoline tax rate. (Table XII—4, pp. 338-39.)

It was assumed that the greatest average of gallons of gasoline used per vehicle would normally be found in those states having the best roads, the mildest climate, and the greatest proportion of population in cities and towns.

Mild Climate and Urban Population

The effects of good roads and mild climate on gasoline consumption are obvious. It is also clear that motor vehicle owners residing in cities and towns, with paved streets and in most cases good roads for some distance around, can use their cars the entire year, while rural residents in many instances are deprived of the use of their cars during the winter months. Therefore, a large urban population means a larger average use of gasoline.

It was believed that the effect of the gasoline tax rate would be negligible, and this is shown by the table, with one exception.

Finally, it was assumed that in any state showing an average greater than justified by these normal local factors, the excess would be due to gasoline consumed by foreign cars, principally those of tourists.

As shown by the table, the state found to have consumed the largest number of gallons per car, is Florida. The table also shows that Florida has excellent roads and a mild climate. However, it is seen that this state does not have a large city and town population. Therefore, its excess number of gallons per car must be due to gasoline consumed by persons from outside of the state. It is, of course, a matter of common knowledge that Florida is one of the two best known tourist resorts in the United States, and has the advantage of being easily accessible to the larger Eastern centers of population.

At the bottom of the list, we find North Dakota. The table shows that this state has poor roads, a severe climate, and a small percentage of population in cities and towns. Since it has no compensating advantage of heavy tourist travel, its position is what might be expected.

It will be noted that all the states listed as having mild climate are well up in the list, except South Carolina. In this state, the 6-cent tax has brought about considerable evasion. In fact, the situation in this respect was so serious that the South Carolina Legislature, at its 1930 session, passed an act designed to stop the alleged practices which were depriving the state of a part of the tax.

At first glance, it seems a little surprising to find California in twelfth place in the table. California has heavy tourist travel, in addition to good roads, mild climate, and a large urban population. A part of the explanation is that the number of cars registered in California in 1929 was 1,974,341, and the gasoline used by tourists must be averaged up among this large number. Florida, with tourist travel perhaps equal to that of California, had only 345,977 cars registered, with the result that each car's average included a larger proportion of the tourist gasoline than did the average for California. Also, California is far from the Eastern centers of population, and it is probable that many tourists from the East go by train rather than make the long motor trip across the continent.

The place occupied by Wyoming illustrates a point of great interest. This state has poor roads, a severe climate, and small city and town population, yet its average is far above those of many other states with better roads, better climate, and greater urban population. When we look for the reason, we find that to reach Yellowstone National Park, the many thousands of Eastern tourists who visit this outstanding attraction must travel entirely across

TABLE XII—4: SHOWING THE NUMBER OF GALLONS OF GASOLINE PER MOTOR VEHICLE TAXED IN 1929 IN THE VARIOUS STATES AND PRINCIPAL REASONS FOR VARIATION IN NUMBER OF GALLONS

Rank	State	Gallons Taxed Per Vehicle	Miles State Roads Surfaced	Percentage State Roads Surfaced	Miles all Roads Surfaced	Percentage all Roads Surfaced	Climate	Percentage of Population in Cities and Towns	Motor Vehicles Registered	Gasoline Tax Rate in 1929	Remarks
1	Florida	646	3,582	55	15,123	50	Mild	36.7	345,977	6	Heavy tourist travel-easily accessible from East.
2	Louisiana	629	6,598	72	11,152	31	Mild	34.9	280,868	4	
3	Alabama	620	3,292	59	18,369	27	Mild	21.7	285,.33	4	
4	Connecticut	617	2,017	95	3,572	25	Moderate	67.8	328,063	2	
5	Georgia	612	3,854	61	14,831	15	Mild	25.1	358,905	6	
6	Pennsylvania	605	9,340	74	26,145	29	Moderate	64.3	1,733,283	4	
7	New Jersey	598	1,759	97	9,077	53	Moderate	78.4	832,332	2	
8	Massachusetts	597	1,625	100	9,324	49	Moderate	94.8	817,704	2	
9	Arizona	587	1,685	68	3,597	16	Mild	35.2	109,013	4	Grand Canyon is outstanding tourist attraction.
10	Rhode Island	581	533	56	1,025	39	Moderate	97.5	134,009	2	
11	New Mexico	580	2,196	24	2,539	5	Mild	18.0	78,374	5	
12	California	577	4,255	65	25,381	32	Mild	68.0	1,974,341	3	Heavy tourist travel-large number of cars lowers average.
13	Arkansas	573	6,015	71	7,958	11	Mild	16.6	233,128	5	
14	Delaware	568	756	100	2,311	60	Moderate	54.2	54,960	3	
15	Texas	565	10,896	60	26,012	13	Mild	32.4	1,348,107	4	
16	Mississippi	564	5,110	51	16,112	28	Mild	13.4	250,011	5	
17	Wyoming	564	1,424	47	1,760	4	Severe	29.5	60,080	4	Yellowstone Park outstanding tourist attraction.
18	Oklahoma	550	2,928	47	4,774	4	Mild	26.6	570,791	4	
19	Oregon	550	3,543	81	12,123	23	Moderate-mild on coast	49.9	269,007	3	
20	North Carolina	538	7,333	88	29,649	41	Moderate to mild	19.2	483,602	5	
21	Tennessee	537	5,006	74	15,184	23	Moderate to mild	26.1	362,431	5	
22	New York	532	10,908	78	32,718	41	Moderate to severe	82.7	2,263,259	2	
23	Washington	527	2,845	87	16,718	38	Moderate-mild on coast	55.2	442,341	3	
24	New Hampshire	521	2,289	93	2,784	23	Severe	63.1	106,880	4	Many tourists in summer
25	Ohio	515	10,851	98	48,503	57	Moderate	63.8	1,766,614	4	
26	Virginia	511	4,983	72	12,327	21	Moderate to mild	29.2	387,205	5	
27	Nevada	511	1,560	42	2,237	10	Moderate to severe	19.7	31,915	4	Large proportion of idle and wealthy residents—Also California route
28	South Carolina	510	4,891	82	17,576	31	Mild	17.5	231,274	6	Much "bootlegging" of gasoline cuts down gallons taxed.
29	Michigan	509	7,139	92	25,143	31	Moderate to severe	61.1	1,395,102	3	
30	Missouri	508	4,827	62	13,074	12	Moderate	46.6	756,680	2	
31	Utah	501	1,795	52	4,237	18	Moderate to severe	48.0	112,661	3½	
32	Nebraska	499	4,190	50	5,364	6	Moderate	31.3	418,226	4	
33	Kansas	497	3,464	40	5,685	4	Moderate	34.9	581,223	3	

34	Maine	497	1,833	90	5,777	27	Severe	39.0	184,506	4	Many tourists in summer.
35	Maryland	492	2,831	100	5,704	39	Moderate	60.0	319,873	4	
36	Illinois	481	6,901	70	21,375	22	Moderate	67.9	1,615,088	3	
37	Indiana	474	4,962	99	51,314	70	Moderate	50.6	866,715	4	
38	Vermont	473	3,485	83	4,983	33	Severe	31.2	93,030	4	
39	Wisconsin	472	8,880	87	27,815	34	Severe	47.3	793,502	2	
40	Colorado	466	4,192	46	7,157	10	Severe	48.2	303,489	4	
41	Kentucky	465	5,528	48	17,030	28	Moderate	26.2	332,848	5	
42	Minnesota	464	6,723	97	35,501	32	Severe	44.1	730,399	3	
43	West Virginia	452	2,734	67	4,450	13	Moderate	25.2	263,883	4	
44	South Dakota	434	3,618	60	6,147	5	Severe	16.0	204,199	4	Black Hills a well known tourist attraction.
45	Idaho	412	2,484	59	3,884	23	Severe	27.6	118,074	4	
46	Montana	410	1,513	19	3,437	5	Severe	31.3	140,387	5	
47	Iowa	398	5,822	81	18,021	17	Moderate	36.4	784,450	3	
48	North Dakota	381	2,823	38	3,592	3	Severe	13.6	188,046	3	

Wyoming, and Wyoming is a big state. The effect of tourist travel on gasoline sales could not well be more emphatic.

West Virginia's Situation

The special significance of this situation for West Virginia is that our State occupies, geographically, much the same position in relation to the Capital of the United States as Wyoming does in relation to Yellowstone Park. Heretofore, the many thousands of tourists who visit Washington constantly have taken the better roads which were available either north or south of West Virginia. With our roads paved, the shortest and best routes from large sections to this tourist mecca will be across our State.

While West Virginia's experience with the gasoline tax has been gratifying, yet we find that we are in forty-third place as to gallons consumed annually per motor vehicle. If we can find the causes of this low standing, we shall be in position to make an intelligent effort to better our record and increase our highway income.

By referring to the table, we see that while our State system is fairly well improved, our rank as to total mileage of all surfaced roads is thirty-seventh. In city and town population, it is seen that our rank is thirty-eighth. To overcome our road and population handicaps, we do not have a mild climate nor heavy tourist travel. What, then, can be done? (See also tables, pp. 382, 389.)

One obvious answer is, that we can build more good roads, and this we are now doing as rapidly as possible. There is no doubt that we can, by judicious publicity, increase the volume of tourist travel in West Virginia. While we have no world-famous attraction within our borders, we do have much pleasing scenery and numerous places of interest, besides the short route to Washington.

The Use of Gasoline Taxes for Other Than State Road Improvement

Since the gasoline tax was devised to meet the new and special highway demands made by the motor vehicle, it would seem a matter of common fairness to devote the proceeds of the tax to road improvements. In general, this has been done, but there are a few notable exceptions. (Table XII—5, p. 342.)

Florida, Georgia, and Texas use a part of the gasoline tax receipts for public schools; Mississippi permits certain counties to use a portion for a sea wall; New Jersey uses a small part for inland

waterways; Colorado, Florida, Indiana, Maryland, Michigan, New York, Ohio, and Wisconsin use a part for streets of cities and towns.

The use of a part of the gasoline tax receipts for municipal street improvements is justifiable, since such use is virtually identical with the use of the tax on the highways. The only question here is one of policy.

To use any part of the gasoline tax for general state purposes, wholly unconnected with the needs of motor vehicle traffic, appears to be unjust. In virtually every state, all of the gasoline tax money, as well as much more, is still badly needed for highways and streets, and when such a tax is levied, it carries a moral obligation to use the proceeds for such purposes and for no other. Whenever the gasoline tax income is diverted to purposes having no connection with motor vehicle traffic, then the justification for the tax is of doubtful validity.

In this respect, West Virginia cannot be criticised, as all of the gasoline tax collected by this State goes to the State road fund, "to be used only for the purpose of reconstruction, maintenance, and repair of roads and highways, and for the payment of the interest on state bonds issued for road purposes."

Reference to Table XII—5 shows that 29 states expend a part of the gasoline tax money on local roads, while eight, as noted above, use a part for the streets of cities and towns. (See p. 342.)

There is a constant demand in every state that part of the gasoline taxes be used for these two purposes. The argument for West Virginia's present plan is that it secures uniformity of control and efficiency of expenditure, that highways are becoming more and more a state problem, and that more and more local roads are being taken into the state system.

Gasoline Taxes Levied by Cities and Counties in Addition to the State Tax

In four states—Alabama, Louisiana, Missouri, and Nevada—cities are permitted to impose a gasoline tax, in addition to and independent of that collected by the state.

In three states—Alabama, Arkansas, and Mississippi—counties are permitted to collect an independent gasoline tax, but in the case of Mississippi this privilege is limited to counties which issue bonds to maintain sea walls.

TABLE XII—5: WHAT THE VARIOUS STATES DO WITH GASOLINE TAX RECEIPTS

State	General Fund	To State Highway Department	Expended on State Roads	Expended on Local Roads	To Local Units	Distribution Basis
			[a]			
Alabama	..	..	$3,544,709	$3,522,447	100%	To counties—equally.
Arizona	..	62½%	1,599,894	959,945	37½%	To counties—tax collected in each county.
Arkansas	..	100%	4,710,125	1,937,599	..	
California	..	50%	23,181,265	10,960,668	50%	To counties—registration of motor vehicles
Colorado	..	70%	3,619,804	1,435,478	30%	27% to counties—mileage state routes. 3% to cities and townships—vehicle registration.
Connecticut	..	100%	4,097,175	..	..	
Delaware	..	100%	335,947	..	..	
Florida	1 cent for schools	4c	5,666,521	1,544,146	1c	To counties—equally.
Georgia	1 cent for schools	4c	6,567,409	2,195,045	1c	To counties—mileage.
Idaho	..	100%	1,932,546	..	..	
Illinois	..	66 2/3%	7,756,519	3,878,259	33 1/3%	To counties—registration.
Indiana	..	75%	11,663,078	2,920,770	25%	¾ of ¼ to counties—½ equally, ½ mileage. ¼ of ¼ to cities and towns, population.
Iowa	..	1 2/3c	4,611,780	4,712,277	1 1/3c	Half to counties—area. Half to townships—mileage of local roads.
Kansas	..	a	6,371,205	1,800,000	a	To counties—40% equally—60% valuation.
Kentucky	..	100%	7,716,787	..	..	
Louisiana	..	100%	6,978,851	..	..	
Maine	..	100%	2,301,944	1,330,986	..	
Maryland	..	100%	5,035,734	..	..	
Massachusetts	..	100%	6,770,807	2,968,009	..	
Michigan	..	b	14,058,317	6,810,406	..	
Minnesota	..	66 2/3%	6,283,903	2,608,222	33 1/3%	To counties—local mileage, traffic needs, etc.
Mississippi	..	50%	2,736,601	4,223,532	50%	To counties—registration.
Missouri	..	100%	7,625,732	..	..	
Montana	..	100%	2,788,433	..	..	
Nebraska	..	75%	5,982,429	1,809,550	25%	To counties—registration.
Nevada	..	50%	539,377	52,924	50%	To counties—registration.
New Hampshire	..	100%	2,267,052	..	..	
New Jersey	..	100%	9,886,064	..	..	
New Mexico	..	100%	2,243,972	..	..	
New York	..	75%	14,278,044	3,807,478	25%	20% of 25% to New York City. 80% of 25% to counties—mileage basis.
North Carolina	..	80%	11,997,384	..	20%	To counties—½ area—½ population.
North Dakota	..	66 2/3%	1,396,102	380,000	33 1/3%	To counties—registration.
Ohio	..	45% of 3 cents	21,316,968	6,567,787	55%	25% counties—equally. 30% cities-registration.
Ohio	..	60% of one cent additional tax	..	..	40%	20% townships—registration, 10% counties, registration—10% cities—registration.

Oklahoma	..	66 2/3%	7,798,066	3,043,543	33 1/3%	To counties—population, area, and valuation.
Oregon	..	100%	4,533,751	..	..	
Pennsylvania	..	75%	30,394,286	5,217,705	25%	To counties where collected.
Pennsylvania	..	1 cent temporary tax—100%	..	..	..	
Rhode Island	..	100%	1,545,961	..	..	
South Carolina	..	83 1/3%	5,725,897	1,145,179	16 2/3%	To counties—registration.
South Dakota	..	100%	3,431,310	..	..	
Tennessee	..	100%	5,589,822	3,654,578	..	
Texas	25% for schools	75%	16,738,121	..	..	
Utah	..	100%	1,975,460	..	..	
Vermont	..	100%	1,703,091	..	..	
Virginia	..	66 2/3%	6,596,627	3,298,314	33 1/3%	To counties—taxation.
Washington	..	2c	4,663,362	1,279,677	1c	To counties—½ equally—¼ registration—¼ number of farms.
West Virginia	..	100%	4,573,298	..	..	
Wisconsin	..	100%	2,752,212	4,183,051	..	
Wyoming	..	75%	1,024,157	286,076	25%	To counties—30% area—30% population— 40% valuation.

a—$300,000 quarterly in state highway fund; $150,000 for administration of state highway department; $100,000 quarterly in county free fund to close gaps in state road system. Each city to get $250 a mile of streets selected as part of interstate chain.

b—In Michigan $1,500,000 each year until deficiencies in appropriations to counties on state award highways are paid; $3,000,000 to meet interest and principal on state highway bonds.

Part of the funds expended by state highway departments are in some cases expended on local roads, and part of the funds expended by local units are in some cases expended on state roads.

In Alabama, most of the cities and towns collect special gasoline taxes ranging from half a cent up to two cents. Eight counties of Alabama collect special gasoline taxes ranging from one to three cents.

In Louisiana, the city of New Orleans, only, imposes a special gasoline tax, the amount being one cent.

In Missouri, a considerable number of cities and towns impose special gasoline taxes, ranging from one-half cent to one cent.

In Nevada, Carson City imposes a one-cent tax.

In Arkansas, the only county collecting a special gasoline tax is Phillips. The rate is two cents.

In Mississippi, Hancock, Harrison, and Jackson counties are permitted to collect gasoline taxes for sea wall purposes. Each collects two cents per gallon.

GASOLINE TAX RECEIPTS EXPENDED IN 1929 FOR PURPOSES OTHER THAN STATE OR LOCAL ROADS

Colorado—For town and city streets	$ 115,867.00
Florida—For city streets	2,758,354.00
For schools and permanent buildings	2,233,735.00
Georgia—For public schools	1,457,454.00
Indiana—For city streets	973,590.00
Maryland—For Baltimore city sts. and grade crossings	1,258,934.00
Michigan—For city streets	400,000.00
Mississippi—For sea wall	210,093.00
New Jersey—For inland waterways	90,000.00
New York—For New York City	951,870.00
Ohio—For municipal streets	6,122,433.00
Texas—For free schools	5,579,373.00
Wisconsin—For city streets	538,877.00

This practice cannot be too strongly condemned. To collect a municipal or county gasoline tax in addition to the state tax tends to make both of the taxes unpopular. Also, such taxes are certain to be more or less ineffective, since it is an easy matter to evade the city tax by purchasing gasoline just outside the city limits, and to evade the county tax by crossing the line into any adjoining county.

COST OF ADMINISTRATION

Investigation has shown the following facts regarding the collection of the gasoline tax:

1. The gasoline tax is probably the most economical to collect.
2. There is no relationship between cost of collection and rates.

Some states with low rates have as high collection costs as those with higher rates.

3. There is no relationship between area and the cost of collection. Small states have about the same percentage of collection costs as large states.

4. The tax is properly imposed upon every distributor, retail dealer and importer, as provided by the West Virginia law. The taxpayer has no difficulty in collecting from the consumer, and the state is enabled to collect the tax conveniently and economically.

By referring to page 348 it will be seen that West Virginia's percentage of collection costs is moderate. For the year 1929, the total cost was $13,478, or twenty-six hundredths of one per cent. It is quite possible that some of the states reporting extremely low collection costs have not figured all of the items connected with this work. This is likely to be the case because, in many instances, the gasoline tax is collected by employees who also have other duties to which they devote the greater part of their time.

TABLE XII—6: GASOLINE TAXES, 1929—ALL STATES—TOTAL TAXES EARNED ON MOTOR VEHICLE FUEL, ETC., REFUNDS, DISPOSITION OF FUND, AND GALLONS TAXED

(Compiled from reports of State authorities to the Bureau of Public Roads)

State	Gross Tax Assessed Prior to Deduction of Refunds	Exemption Refunds (Deducted from Gross Tax)	Total Tax Earnings on Fuel for Motor Vehicles[a]	Other Receipts Under Tax Law (Licenses	Grand Total Earnings (Tax and Other Receipts)	Disposition of Grand Total Earnings: Collection Costs[b]	Construction and Maintenance on Rural Roads: State Highways	Construction and Maintenance on Rural Roads: Local Roads	State and County Road Bond Payments[c]	Tax Rates, 1929: For Miscellaneous Purposes	Cents Per Gallon: Jan. 1	Cents Per Gallon: Dec. 31	Date of Rate Change	Net Gallons of Gasoline Taxed and Used by Motor Vehicles
Alabama	$7,105,009	..	$7,105,009	..	$7,105,009	$37,853	$2,367,023	$3,522,447	$1,177,686	..	4	4	..	d178,162,903
Arizona	2,886,603	326,772	2,559,831	$ 8	2,559,839	e	1,599,894	959,945	..	..	4	4	..	63,995,783
Arkansas	6,681,029	f	6,681,029	..	6,681,029	33,405	4,195,686	420,905	g2,031,033	..	5	5	..	133,620,566
California	37,600,108	3,408,021	34,192,087	..	34,192,087	8,566	23,181,265	10,960,668	..	h$41,588	3	3	..	1,139,736,244
Colorado	5,745,061	527,582	5,217,479	585	5,218,064	i46,915	3,619,804	1,435,478	..	j115,867	3	4	May 1	141,466,891
Connecticut	4,047,092	..	4,047,092	50,083	4,097,175	..	4,097,175	..	..	..	2	2	..	202,354,590
Delaware	980,559	44,612	935,947	..	935,947	..	935,947	..	..	..	3	3	..	31,198,248
Florida	12,203,056	..	12,203,056	28,280	12,231,336	16,477	5,666,821	1,544,146	..	k5,003,892	5	6	July 1	223,373,467
Georgia	10,224,108	..	10,224,108	..	10,224,108	4,200	6,567,409	2,195,045	..	l1,457,454	4	6	Sept. 1	219,609,473
Idaho	2,204,977	258,997	1,945,980	379	1,946,359	13,813	1,932,546	..	..	..	4	4	..	48,658,984
Illinois m	11,659,778	..	11,659,778	..	11,659,778	n25,000	7,756,519o	o3,878,259	..	..	0	3	Aug. 1	m388,659,266
Indiana	16,429,211	818,960	15,610,251	289	15,610,540	33,102	11,663,078	2,929,770	..	p973,590	3	4	Apr. 1	410,936,759
Iowa	10,068,831	713,046	9,355,785	..	9,355,785	31,728	4,611,780	4,712,277	..	..	3	3	..	311,859,516
Kansas	9,733,375	1,562,170	8,171,205	..	8,171,205	q	6,371,205	1,800,000	..	..	2	3	Apr. 1	288,716,546
Kentucky	7,742,564	..	7,742,564	..	7,742,564	25,777	7,716,787	..	..	..	5	5	..	154,717,831
Louisiana	6,979,699	1,048	6,978,651	..	6,978,651	r	5,255,782	..	1,722,869	..	2	4	Jan. 3	176,645,631
Maine	3,841,478	132,794	3,708,682	..	3,708,682	26,052	2,301,644	1,380,986	..	s1,258,934	4	4	..	91,610,422
Maryland	6,533,413	235,250	6,297,163	..	6,297,163	2,500	5,035,734	..	..	..	4	4	..	157,429,197
Massachusetts	9,888,730	129,914	9,758,816	..	9,758,816	20,000	6,770,807	2,968,009	..	..	2	2	..	487,940,778
Michigan	23,558,077	2,249,068	21,309,009	3,920	21,312,929	40,286	11,058,317	6,810,406	3,000,000	t403,920	3	3	..	710,300,302
Minnesota	9,631,151	739,026	8,892,125	..	8,892,125	..	6,283,903	2,608,222	..	..	2	3	May 1	338,631,771
Mississippi	7,045,120	..	7,045,120	131,006	7,176,126	5,900	2,736,601	4,223,532	..	u210,093	5	5	..	v140,902,401
Missouri	7,866,605	185,933	7,680,672	..	7,680,672	54,940	7,625,732	..	..	..	2	2	..	384,033,575
Montana	3,767,737	965,720	2,802,017	..	2,802,017	13,584	2,788,433	..	..	..	3	5	Apr. 1	57,514,249
Nebraska	7,860,046	60,567	7,799,479	..	7,799,479	7,500	5,982,429	1,809,550	..	..	2	4	Mar. 29	208,969,358
Nevada	712,507	60,206	652,301	..	652,301	..	599,377	52,924	..	..	4	4	..	16,307,535
New Hampshire	2,332,906	65,854	2,267,052	..	2,267,052	..	1,700,289	..	566,763	..	4	4	..	56,676,294
New Jersey	9,961,276	w	9,961,276	34,828	9,996,104	20,040	9,886,064	..	..	x90,000	2	2	..	498,063,808
New Mexico	2,273,966	..	2,273,966	15,801	2,289,767	45,795	1,752,722	..	491,250	..	5	5	..	45,479,332
New York y	19,488,422	433,248	19,055,174	32,218	19,087,392	z	14,278,044	3,807,478	..	aa1,001,870	0	2	May 1	y962,601,235
North Carolina	12,506,185	499,801	12,006,384	..	12,006,384	9,000	7,702,647	..	4,294,737	..	4	5	Apr. 1	260,210,528
North Dakota	2,968,370	1,169,144	1,799,226	1,876	1,801,102	25,000	1,396,102	380,000	..	..	2	3	July 1	71,591,708
Ohio	35,741,107	1,658,919	34,082,188	..	34,082,188	..	21,316,968	6,567,787	..	bb6,197,433	3	4	Apr. 17	910,154,885
Oklahoma	10,870,642	29,033	10,841,609	..	10,841,609	..	7,798,066	3,043,543	..	..	3	4	June 22	314,388,292
Oregon	4,888,886	346,284	4,542,602	..	4,542,602	8,851	4,533,751	..	..	..	3	cc3	..	dd152,090,900
Pennsylvania	35,887,503	140,189	35,747,314	10,502	35,757,816	145,825	27,061,099	5,217,705	3,333,187	..	3	4	July 1	1,047,914,175
Rhode Island	1,556,538	13,779	1,542,759	3,202	1,545,961	..	1,160,271	..	385,690	..	2	2	..	77,326,879
South Carolina	6,395,951	29,343	6,366,608	4,468	6,371,076	..	5,725,897	1,145,179	..	..	5	6	Mar. 16	118,038,130
South Dakota	4,680,153	1,134,388	3,545,765	..	3,545,765	10,500	2,585,394	..	845,416	h103,955	4	4	..	88,644,138
Tennessee	9,290,853	..	9,290,853	..	9,290,853	46,454	4,936,989	1,719,329	ee2,588,081	..	3	5	Feb. 17	194,497,225
Texas	23,092,702	775,208	22,317,494	..	22,317,494	..	16,738,121	..	..	ff5,579,373	2	4	July 16	761,421,692
Utah	1,979,226	..	1,979,226	384	1,979,610	4,150	1,536,960	..	438,500	..	3½	3½	..	56,546,967
Vermont	1,703,091	..	1,703,091	..	1,703,091	..	1,703,091	..	..	..	3	4	Apr. 1	43,990,554
Virginia	10,419,421	524,480	9,894,941	..	9,894,941	gg	6,596,627	3,298,314	..	..	5	5	..	197,898,821
Washington	6,461,106	518,067	5,943,039	..	5,943,039	hh	4,663,362	1,279,677	..	..	2	3	July 1	233,333,570
West Virginia	5,061,572	195,380	4,866,192	7,106	4,873,298	..	2,376,725	..	2,496,573	..	4	4	..	121,654,788
Wisconsin	7,867,899	382,860	7,485,039	..	7,485,039	10,899	2,752,212	4,133,051	..	p538,877	2	2	..	374,251,957
Wyoming	1,296,299	..	1,296,299	..	1,296,299	4,066	1,024,157	268,076	..	..	3	4	Apr. 1	34,242,816
District of Columbia	1,437,754	9,573	1,428,181	..	1,428,181	..	..	..	..	ii1,428,181	2	2	..	71,409,032
Total	..	..	$431,311,519	$324,935	$431,636,454	$778,178	$297,967,756	$85,113,708	$23,371,785	$24,405,027	Avr.rate3.22			13,400,180,062

a—This is the net gasoline tax earned after deduction of refunds for exemptions according to law.
b—Many states pay collections costs from other State funds, and when the amounts are reported they are noted.
c—Payments for State highway bonds except as noted.
d—Includes 1,075,385 gallons at 2-cent rate under old law but not previously reported.
e—Paid from state budget, $14,433.
f—No refunds reported this year.
g—Consists of $514,439 for state bonds and $1,516,594 for county bonds.
h—Reserve for refunds.
i—Includes all expenses of state inspector of oils.
j—For town and city streets.
k—Consists of $2,758,354 for city streets, $2,233,735 for schools and permanent buildings, and $11,803 for refund reserve.
l—For public schools.
m—For last 5 months of year.
n—Estimate from 1927 data.
o—Funds held by courts pending decision.
p—For city streets.
q—From state general fund, $15,000.
r—State appropriation of $7,500.
s—For Baltimore city streets and grade crossings.
t—Consists of $400,000 for city streets and $3,920 (from dealers' licenses) to State general fund.
u—Special additional tax of 2 and 3 cents in Hancock and Harrison Counties for sea wall to protect road.
v—Gallons taxed for highway purposes and also reported separately as taxed for sea wall included only once.
w—Exemption claimed upon purchase.
x—For state department of commerce and navigation.
y—For last 8 months of year.
z—Charged to state general fund, $24,504.
aa—Consists of $50,000 for reserve for refunds and $951,870 for New York City.
bb—Consists of $75,000 for rotary fund for refunds and $6,122,433 for municipal streets.
cc—Tax increased to 4 cents on Jan. 1, 1930.
dd—Includes 4,025,392 gallons of distillate taxed at 2½ cents.
ee—Consists of $552,833 for State bond payments and $1,935,249 for county bonds.
ff—Free school fund
gg—State appropriation of $11,088.
hh—Paid from motor-vehicle fund, $7,000.
ii—For repair and improvement of Washington streets.

TABLE XII—7: WHAT IT COSTS TO COLLECT THE GASOLINE TAX AND HOW IT IS COLLECTED (1929)

State	Cost in Dollars	% Cost	Collector
Alabama	$ 37,853	0.532	State Tax Commission
Arizona	14,433	0.563	Secretary of State
Arkansas	33,405	0.499	Auditor
California	8,566	0.025	Board of Equalization
Colorado	46,915	0.899	State Oil Inspector
Connecticut	No Report	..	Motor Vehicle Commissioner
Delaware	5,050	0.51	State Treasurer
Florida	16,477	0.134	Comptroller
Georgia	4,200	0.041	Comptroller
Idaho	13,813	0.709	Law Enforcement Commissioner
Illinois	25,000	0.214	Dept of Finance
Indiana	33,102	0.212	Auditor
Iowa	31,728	0.339	State Treasurer
Kansas	15,000	0.183	State Oil Inspector
Kentucky	25,777	0.332	State Tax Commission
Louisiana	7,500	0.107	Supervisor Public Accounts
Maine	26,052	0.702	Auditor
Maryland	2,500	0.039	Comptroller
Massachusetts	20,000	0.204	Commnr. of Corp. and Tax.
Michigan	40,286	0.189	Secretary of State
Minnesota	11,612	0.120	Auditor
Mississippi	5,900	0.082	Auditor
Missouri	54,940	0.715	State Oil Inspector
Montana	13,584	0.484	Board of Equalization
Nebraska	7,500	0.096	State Treasurer
Nevada	1,500	0.210	State Tax Commission
New Hampshire *a*.	..	..	Treasurer
New Jersey	20,040	0.200	Motor Vehicle Commissioner
New Mexico	45,795	1.999	Comptroller
New York	24,504	0.128	Dept. Taxation and Finance
North Carolina	9,000	0.075	Commissioner of Revenue
North Dakota	25,000	1.388	State Tax Commission
Ohio	78,630	0.21	State Tax Commission
Oklahoma	20,000	0.184	State Oil Inspector
Oregon	8,851	0.195	Secretary of State
Pennsylvania	145,825	0.407	Commissioner of Revenue
Rhode Island	10,751	0.691	Board of Public Roads
South Carolina	5,000	0.073	State Tax Commission
South Dakota	10,500	0.296	Auditor
Tennessee	46,454	0.499	Comptroller
Texas	50,000	0.216	Comptroller
Utah	4,150	0.209	Secretary of State
Vermont	1,500	0.088	Motor Vehicle Commissioner
Virginia	11,088	0.112	Motor Vehicle Commissioner
Washington	7,000	0.117	Director of Licenses
West Virginia	13,478	0.266	State Tax Commissioner
Wisconsin	10,899	0.145	State Treasurer
Wyoming	4,066	0.031	State Treasurer

a—New Hampshire says companies paying tax report direct to Treasurer at no cost to state.

MOTOR VEHICLE REGISTRATION FEES

AUTOMOBILE BUREAU

The work of the Automobile Bureau comprehends the issuance of all registrations for motor vehicles, including dealers; issuance of all permits or certificates of convenience for bus lines, truck lines, taxicabs, and trucks for hire; issuance of all chauffeur's and operator's licenses; issuance of certificates of title; granting of permits; and the issuing of all duplicates. The total net receipts of this Bureau from all sources for the calendar year 1929 were $4,532,747.49.

For the purposes of this survey, all figures are given for the calendar year 1929.

REGISTRATION OF MOTOR VEHICLES IN WEST VIRGINIA

The total registration of motor vehicles, including dealers, was 278,609, returning a revenue to the State Road Commission of $3,647,243. The two major classes of registrations are Class A (private passenger automobiles) and Class B (private trucks), the former showing registrations of 231,384, and the latter 32,410. The revenues from these two classes for the calendar year 1929 were $3,007,801 and $576,051, respectively.

The receipts from other classes of registrations are comparatively negligible.

The receipts from chauffeur's and operator's licenses for the calendar year were $138,574; the receipts from the issuance of certificates of title and transfers thereof were $166,955; and transfers of registrations for the calendar year produced $50,105.

WEST VIRGINIA FEES COMPARED WITH THOSE OF ADJOINING STATES

For the purpose of determining, if possible, whether the charge for registrations in this State under Classes A and B are in line with the average fees charged by other states, comparison will be made with the fees charged by the adjoining states of Ohio, Kentucky, Virginia, Maryland, and Pennsylvania.

In the number of registrations issued during 1929, Ohio ranked third, with a gross revenue from registration of $12,860,000; Pennsylvania fourth, with $29,265,000; Virginia twentieth, with $6,145,000; Kentucky twenty-fourth, with $5,381,000; Maryland twenty-sixth, with $3,295,000; while West Virginia stands thirty-first with a revenue of $4,533,000. It will be seen that Ohio, third in rank, has less than one-half the revenue of Pennsylvania, which stands

fourth in the number of registrations. West Virginia, thirty-first, has a greater revenue from registrations than Maryland, twenty-sixth in rank. (See Tables XII—9 and XII—10, pp. 357, 360, 361.)

Fees for Class A Motor Vehicles

The methods of determining the registration fees for private passenger vehicles in these states vary. Ohio fees are based on horse power, with a minimum fee of $4; Pennsylvania on horse power with a minimum fee of $10; Virginia on net weight with a minimum fee of $12.25; Kentucky on horse power plus net weight; Maryland 32 cents per horse power; West Virginia on net weight with a minimum fee of $13.

There is comparatively little difference between the fees paid in West Virginia for this class of vehicles and fees charged in adjoining states, with the exception of the State of Ohio. In Ohio the fees for private passenger vehicles are considerably lower. It has been indicated by persons in authority in Ohio that an effort will be made to have the registration fees for private passenger type vehicles increased within the near future.

The West Virginia registration fee for all motor vehicles other than passenger vehicles operated for hire, equipped only with pneumatic tires, was fixed by the act of 1921 at 30 cents per horsepower of motor, and in addition thereto 30 cents per hundred pounds weight of vehicle and load. For the purpose of determining the weight of vehicle and load, except those used for hire, the actual weight of the vehicle was taken, and in addition thereto the adult seating capacity multiplied by 125.

This was amended in 1923 to provide that the registration fee for all motor vehicles other than trucks or motor vehicles used in the public transportation of passengers or property or both for hire, equipped only with pneumatic tires, should be 30 cents per horse power of motor, and in addition thereto 30 cents per hundred pounds weight of vehicle and load. No change was made in the method of determining weight. The chief effect of the amendment was to place pneumatic tired trucks and private passenger automobiles in separate classes.

The Legislature of 1925 further amended this provision, to take effect January 1, 1926. The section, as amended, was as follows:

"The registration fee for all motor vehicles, other than trucks or motor vehicles used in transportation of passengers or property, or both, for compensation, equipped with pneumatic tires, shall be thirteen dollars for a vehicle of a weight of two thousand pounds

or less, and for all motor vehicles having a weight of over two thousand pounds, 60 cents additional for each one hundred pounds of weight in excess of two thousand pounds, and for the purpose of determining the weight except those used in transportation of passengers or property or both, for compensation, the actual weight of the vehicle shall be taken." This basis is still in effect.

In 1925 a law was passed requiring every owner of a motor vehicle to obtain a certificate of title.

The change in the basis of registration fees which went into effect January 1, 1926, had but little effect upon the average cost of a license. In 1925 the number of private passenger automobiles registered was 186,011 and the receipts were $2,243,691.79, an average per car of $12.06. In 1926 the number registered was 194,620 and the receipts were $2,392,013.10, an average per car of $12.29. In 1927 the number of cars registered was 213,981, and the receipts $2,635,155.31, an average per car of $12.31.

Fees for Class B Motor Vehicles

The fees for Class B (private truck) registrations in West Virginia are based upon ton capacity, with a range of fees for pneumatic tires from $18.75 for one ton or less capacity to $112.50 for 5-ton capacity; Ohio, on net weight of vehicle, with a range of fees from $17.50 for a truck of a net weight of 2,500 pounds to $103.50 for a vehicle of a net weight of 9,000 pounds or over, with a minimum fee of $4 for trucks of less net weight than 2,500 pounds; Pennsylvania, on net weight, with a minimum fee of $16.50 for a vehicle of 2,000 pounds or less to a maximum fee of $224 for a vehicle of 12,000 pounds net weight or over; Virginia, on ton capacity, with a minimum fee of $15 for one ton or less capacity to $200 for a vehicle of 5 tons capacity; Kentucky, on ton capacity, with a minimum fee of $20 for one-half ton or less capacity to $300 for a truck with a capacity of 10 tons; Maryland, with fees for pneumatic tires similar to those charged for private passenger vehicles, the rates for solid tires, however, ranging from $10 for one ton or less capacity to $75 for 5 tons capacity.

It will be seen from the foregoing that the fees paid in the adjoining states in some instances exceed the fees charged by this State and in other instances are lower than our fees. The fees of West Virginia, however, would appear to be about the average of the five states herein considered for purposes of comparison.

The methods by which motor vehicle registration fees are computed vary widely in the different states. They are summarized briefly in Table XII—8, pp. 352, 353.)

TABLE XII—8: METHODS BY WHICH MOTOR VEHICLE REGISTRATION FEES ARE COMPUTED IN THE VARIOUS STATES—(Jan. 1, 1930)

STATE	PASSENGER CARS	COMMERCIAL CARS (Not Common Carriers)
Alabama	Horsepower	Tons, capacity
Arizona	Flat Rate	Flat rate, pounds, unladen weight, kind of tires
Arkansas	Horsepower and pound, gross weight	Tons, capacity and kind of tires
California	Flat Rate	Flat rate, pounds, unladen weight, kind of tires
Colorado	Cost price	Tons, capacity
Connecticut	Cubic inch displacement	Tons, capacity and kind of tires
Delaware	Pounds, gross weight	Pounds, gross weight
Florida	Pounds, gross weight	Pounds, net weight and kind of tires
Georgia	Pounds, gross weight	Tons, capacity
Idaho	Pounds, net weight and number of times registered	Chassis weight, capacity and kind of tires
Illinois	Horsepower	Pounds, gross weight
Indiana	Horsepower and pounds, net weight	Tons, capacity
Iowa	Value and pounds, net weight	Tons, capacity and kind of tires
Kansas	Flat rate and pounds, gross weight	Tons, capacity and kind of tires
Kentucky	Horsepower and pounds, net weight	Pounds, capacity
Louisiana	Horsepower	Horsepower, pounds, capacity and kind of tires
Maine	Horsepower and pounds, net weight	Pounds, capacity and kind of tires
Maryland	Horsepower	Pounds, capacity, kind tires. H. P. if on pneu. tires
Massachusetts	Horsepower	Pounds, gross weight
Michigan	Pounds, net weight	Pounds, unladen weight
Minnesota	Value	Value and tons, capacity
Mississippi	Horsepower and pounds, gross weight	Tons, capacity and kind of tires
Missouri	Horsepower	Tons, capacity
Montana	Net weight	Tons, capacity and kind of tires
Nebraska	Pounds, net weight	Pounds, capacity
Nevada	Pounds, gross weight	Pounds, gross weight
New Hampshire	Pounds, gross weight	Pounds, gross weight and kind of tires
New Jersey	Horsepower	Pounds, gross weight
New Mexico	Pounds, net weight	Chassis weight and kind of tires
New York	Pounds, net weight	Tons, gross weight
North Carolina	Horsepower	Tons, capacity and kind of tires
North Dakota	Factory price, net weight, H. P., times registered	Factory price, net weight, H. P. and tons capacity
Ohio	Horsepower	Pounds, unladen weight
Oklahoma	Manufacturer's list price	Pounds, capacity and times registered
Oregon	Pounds, net weight	Net weight and kind of tires
Pennsylvania	Horsepower	Chassis weight and kind of tires
Rhode Island	Pounds, gross weight	Gross weight and kind of tires
South Carolina	Pounds, net weight	Tons, capacity and kind of tires
South Dakota	Pounds, net weight	Tons, capacity
Tennessee	Horsepower	Horsepower and tons, capacity
Texas	Pounds, net weight	Gross weight, kind of tires and number of wheels
Utah	Horsepower	Tons, capacity and kind of tires
Vermont	Pounds, net weight	Pounds, gross weight
Virginia	Pounds, net weight	Tons, capacity
Washington	Pounds, net weight	Pounds, net weight and pounds, capacity
West Virginia	Flat rate, pounds, net weight	Tons, capacity and kind of tires
Wisconsin	Pounds, net weight	Tons, gross weight and number of wheels
Wyoming	Horsepower	Tons, capacity and kind of tires
District of Columbia	Flat Rate	Flat rate

Vehicles Operated Under Certificate of Convenience

Busses

The Act of 1923 authorized the issuance by the State Road Commission of permits or certificates of convenience for operation of motor vehicles for transportation of passengers for compensation over regular routes and between fixed termini. The same statute also provided for classes for truck lines and for passenger vehicles and trucks operated for compensation other than over a regular route.

The basis for computing fees for vehicles operated as busses over regular routes or between fixed termini is the passenger-seat mile. This is determined by multiplying the passenger capacity of the vehicle by the number of miles to be traveled during the year. The rate is one-fifteenth cent per passenger-seat mile. This method seems to be fair to both the State and to the operator, since the fee is paid only for the distances traveled by the motor vehicles upon the public highways. As a result of this method of computation, the range of fees paid by different operators on January 1, 1930, for operation during that year is from $73 to $33,867, the former fee for one vehicle and the latter for 78 vehicles with an average fee per vehicle of $484.

The total receipts from this class of operations for 1929 was $149,470, or an average per vehicle of $211, there having been in operation in West Virginia during that year 704 vehicles under this class.

The only adjoining states which use a similar method for computing bus fees are Maryland and Virginia, the passenger-seat rate charged by Virginia being based upon different weights per vehicle, while that of Maryland is one-eighteenth cent per passenger-seat mile for vehicles of all weights. The rate of Virginia is considerably lower than that of West Virginia, but there is only a slight difference between Maryland and this State. It is quite probable, however, that these two states charge a registration fee in addition to fees charged for the operation as a common carrier.

The fees charged in Ohio for busses range from $40 to $230, the latter being for vehicles of over 24-passenger capacity.

Pennsylvania fees are from $25 for 7 passengers or less to $40

for 8-passenger capacity and an additional charge per seat in excess of seven, which charge in the case of large capacity vehicles would be in excess of the average charge made by the State of West Virginia.

In Kentucky the fees charged for bus lines are computed on a combination of registration fee, gross weight, bus tag fee, and a flat fee per seat graduated on the capacity of the vehicle. In that state there are many vehicles of 5 and 7 passenger capacity operated as busses which would lower the average fee. Apparently on busses of large capacity the fee charged by the State of Kentucky would be considerably in excess of the average fee in this State, and would probably exceed on large capacity vehicles the fees charged for similar vehicles in West Virginia.

Truck Lines

Only one certificate of convenience has been granted by the State Road Commission for a regular route truck operation for intrastate transportation. The fees on these vehicles are one-fourth cent per ton mile for a vehicle of 3 tons or less capacity, and one-third cent per ton mile for vehicles of a capacity of more than three tons. This fee, on an average run, would not produce more revenue to the State than the fee charged for trucks operating under Class H-4, or other than over a regular route. It would seem there should be a slight increase in rate for this class if the fees for Class H-4 are to be maintained.

Not Over Regular Routes

Both passenger vehicles and trucks operated for compensation other than over a regular route are charged a flat fee. The fee for Class H-3 or passenger vehicle is $75 per year. The fees for trucks operated under Class H-4 are twice those charged for the privately operated truck under Class B. No serious complaint has been made in regard to fees charged under either of these classes. The former class produced $59,058 of revenue and the latter $319,619 during 1929.

Summary of Comparisons

It may be seen from the foregoing that the fees charged for the operation of motor vehicles in West Virginia are higher than those

charged in some states and less than those charged in other states. It would appear that the fees of this State are about the average of the entire forty-eight states, except possibly in the case of bus lines. Where the mileage of a bus operation is extensive and the vehicles operated are of larger capacity, the average fee for the bus of such operation in this State would probably be in excess of the fees charged in other states, with only a few exceptions. It must be remembered, however, that in most states a registration fee is charged in addition to fees charged for operation under a certificate of convenience, while in West Virginia there is no registration fee, as such, on such vehicles.

The aggregate revenue of the State Road Commission from all sources is approximately $10,000,000 per year, which aggregate will gradually increase each year as the number of vehicles and the consumption of gasoline increase. To what extent this increase will be experienced during the coming years is problematical. It will be noticed, however, that in West Virginia there is one passenger motor vehicle to each 7.68 persons and one truck for each 42.2 persons, while the ratios for the United States are one to 5.3 for the former and one to 36.2 for the latter.

With the burden of sinking fund and interest on the road bonds authorized, and the cost of administration, the balance remaining available for purposes of road maintenance and construction could not be reduced without interference with highway construction and impairment of highways already constructed. Whether more mileage is constructed or not, in order to save for the people of this State the present improved highways, it is necessary that sufficient funds for maintenance and reconstruction be provided. It would seem to be economically unsound to reduce, in any measure, funds available to the State Road Commission for these purposes.

If the people desire to speed up their state road program, the taxation of motor vehicles and gasoline may be increased to a point at which revenues will be decreased instead of increased, which in this case would be evidenced by a decreased number of purchases of new motor vehicles or the decreased consumption of gasoline because of taxes or fees. Registration fees, unless quite high, have little effect upon the sales of private passenger vehicles. Neither

is it believed that the gasoline tax will affect greatly such sales, or the consumption of gasoline, if due regard is paid to the rates in adjoining states.

From the investigation made it would seem that the fees from motor vehicles in this State are equal to or slightly above the average for the United States, and it would seem at the present time inadvisable to increase such fees materially. On the other hand, the State of West Virginia is vitally in need of funds for the construction and maintenance of its highways and the funding of the bonded indebtedness for road purposes, and it would likewise seem inadvisable to reduce any fees which are now charged for the operation and ownership of motor vehicles. It would seem feasible to increase highway revenues, however, by raising the gasoline tax to five cents, as suggested in another section of this report.

Registrations and Administrative Costs

Motor vehicles registered in West Virginia by calendar years since the appointment of the State Road Commission, net receipts by calendar years, and costs of collection, have been as follows:

Table XII—9: Motor Vehicle Registrations, Receipts, and Administrative Costs—West Virginia

Year	Number of Vehicles	Receipts	Increase in Dollars	Per Cent Increase	Administrative Costs
1921	98,599	$1,219,635	...	...	...
1922	114,398	1,924,230	$704,595	57.7	$ 88,539
1923	159,706	2,594,317	670,086	34.8	96,786
1924	192,736	2,851,187	256,870	9.9	151,452
1925	219,366	3,316,960	465,774	16.3	177,721*a*
1926	229,458	3,683,134	366,174	11.0	252,608*a*
1927	247,642	3,967,212	284,077	7.7	255,995*a*
1928	257,258	4,142,595	175,383	4.4	239,913
1929	268,888	4,532,747	390,154	9.4	215,621

a—The large increase in adminstrative costs from 1925 to 1926 was due to the equipment and additional employees required to issue certificates of title. The large expenditure in 1927 was due to fire replacements.

It will be seen that the total percentage of administrative costs has been 5.47, including certificate of title and fire expenditures. The percentage in 1929 was 4.72%.

Percentages for all the states, as reported to the Bureau of Public Roads for 1929, were as follows:

Alabama	4.76	Nebraska	2.47
Arizona	No report	Nevada	5.23
Arkansas	2.00	New Hampshire	7.82
California	20.00	New Jersey	6.4
Colorado	9.08	New Mexico	9.87
Connecticut	7.73	New York	3.7
Delaware	6.4	North Carolina	4.26
Florida	6.0	North Dakota	13.22
Georgia	3.6	Ohio	3.03
Idaho	1.64	Oklahoma	3.09
Illinois	3.6	Oregon	4.6
Indiana	4.42	Pennsylvania	5.98
Iowa	3.5	Rhode Island	9.55
Kansas	5.14	South Carolina	1.12
Kentucky	4.38	South Dakota	2.00
Louisiana	1.05	Tennessee	2.5
Maine	8.84	Texas	3.9
Maryland	10.00	Utah	15.5
Massachusetts	19.56	Vermont	5.5
Michigan	3.84	Virginia	4.23
Minnesota	No report	Washington	4.59
Mississippi	5.1	West Virginia	4.72
Missouri	4.69	Wisconsin	5.52
Montana	5.61	Wyoming	7.0
		District of Columbia	12.98

In the first half of 1930, net collections were $4,255,666.09, as against $4,020,098.58 for the first half of 1929, an increase in dollars of $235,567.51, and a percentage of increase of 5.85. For the entire year the increase was $132,522.81 or 2.92%.

It is clear from these figures that we can no longer count on a large annual percentage of increase in revenues from motor vehicle registration fees. The year 1929 was one of unusually heavy automobile sales, and that year gave us an increase in motor vehicle fees of 9.41%.

The administrative costs of West Virginia are seen by this table to be moderate. The cost of collecting motor vehicle license fees is much higher in all the states than the cost of collecting the gasoline tax. This is due to radical and fundamental differences in the two taxes, the collection of motor vehicle fees requiring much more elaborate equipment and a much larger number of employees than the gasoline revenues.

Distribution of Receipts from Registration Fees

The West Virginia State road law requires that all motor vehicle license fees be paid into the State road fund. This fund is used, under the statute, for the following purposes:

1. To pay the principal and interest due on all State road bonds.

2. To pay the administrative expenses of the State Road Commission.

3. To pay the costs of maintenance of State roads.

4. To pay the costs of construction and reconstruction of State roads.

As indicated, all of the receipts are used for State road purposes, with sinking fund and interest of bonds taking precedence.

As will be seen by Table XII—5, all of the states devote the greater part of their motor vehicle fees to road purposes. All but Montana use a part for state road purposes. Montana distributes the collections—except a sum retained as an auto theft fund—to the counties from which the fees have been paid, and they are then credited to the various county road funds.

Illinois is the only state which sets aside a part of the motor vehicle fees for the general state fund, and the sum set aside is proportionately quite small. The amount was $35,435 out of 1929 collections of $17,087,209.

The State of Maryland uses a part of the motor vehicle collections on the streets of Baltimore, the sum thus used in 1929 having been $593,157 out of a total of $3,295,314.

The State of New York diverts a part of the motor vehicle fees to the general city fund of the City of New York. The sum thus diverted in 1929 was $3,710,350 out of collections totaling $38,293,313.

Out of gross collections of $347,843,543 reported to the Bureau of Public Roads for the calendar year 1929, the sum used for state highways was $223,292,969. and for local roads $66,861,364, while $33,183,473 additional was used for interest and sinking fund of state and county road bonds, thus leaving only $7,102,939 of the total not used for road purposes.

It will be seen that sentiment is quite general for the use of the bulk of the collections on state highways, and is unanimous for their use on either state or local highways.

The use of a part of the fees by Maryland and New York in their largest respective cities must be regarded as merely isolated instances and not as an indication of a trend toward such use.

Table XII—10, pages 360, 361, shows receipts from motor vehicle registration fees, licenses, permits, fines, etc., in each state in 1929.

All of the states exempt United States Government cars from license fees, but 13 states do not exempt state and local official

TABLE XII—10: MOTOR VEHICLE REGISTRATION FEES, LICENSES, PERMITS, FINES, ETC., 1929 [a]

(Compiled from reports of State authorities, by the Bureau of Public Roads.)

State	Total Gross Receipts	Registration Receipts					Miscellaneous Receipts			Disposition of Gross Receipts				
		Motor Car Receipts			Other Vehicles						For Highway Purposes			
		Total Motor Cars	Passenger Cars and Buses	Trucks and Tractors	Trailers	Motorcycles	Dealers' Licenses	Chauffeur and Operator Permits	Other Miscellaneous	Collection and Administration [b]	State Highways	Local Roads	State and County Road Bonds [c]	For other Purposes
Alabama [a]	$3,736,380	..	..	..	..	..	..	..	..	$177,819	$1,324,322	$728,594	$1,505,645	..
Arizona	748,565	$526,390	$300,214	$226,176	$13,311	$1,222	$ 775	$20,202	$186,665	..	748,565	..	..	..
Arkansas	4,212,161	4,125,968	..	..	42,120	..	6,510	23,019	14,544	84,243	914,039	543,369	[d]2,670,510	..
California	10,439,068	9,026,648	5,729,508	3,297,140	330,908	34,681	48,540	327,065	721,206	2,098,197	4,195,436	4,195,435	..	..
Colorado	1,835,386	1,691,618	1,382,742	308,876	2,138	1,985	30,256	15,765	93,624	166,652	834,367	834,367	..	..
Connecticut	7,992,755	6,075,244	4,630,608	1,444,636	12,675	10,386	92,137	1,160,031	642,282	618,158	7,374,597	..	..	..
Delaware	1,023,440	825,115	602,287	222,828	5,298	1,225	7,680	183,259	863	..	1,023,440	..	..	..
Florida	4,959,129	4,893,564	3,601,701	1,291,863	..	5,291	25,329	4,279	30,666	297,548	3,496,186	1,165,395	..	..
Georgia	4,568,209	4,491,505	3,705,564	785,941	20,199	5,619	38,427	5,859	6,600	164,825	4,403,384	..	..	..
Idaho	1,787,467	1,743,294	1,431,716	311,578	8,422	1,773	27,735	1,560	4,683	29,344	175,813	1,582,310	..	..
Illinois	17,087,209	15,938,407	12,249,403	3,689,004	84,549	19,770	90,140	373,679	580,664	..	9,623,138	..	7,428,636	[e]35,435
Indiana	6,253,424	5,727,856	4,404,613	1,323,243	52,387	5,202	51,230	37,130	379,619	276,100	5,977,324	..	..	..
Iowa	11,919,350	11,048,755	9,849,983	1,198,772	6,511	5,871	84,166	38,134	735,913	417,177	10,962,849	392,225	..	[f]147,099
Kansas	5,697,306	5,678,086	..	..	..	..	..	..	19,220	292,602	3,804,704	1,600,000	..	..
Kentucky	5,381,302	5,204,833	4,023,896	1,180,937	..	5,638	33,262	47,064	90,505	235,562	4,555,272	590,468	..	..
Louisiana	4,523,634	4,456,325	..	..	..	..	..	67,152	157	50,000	4,473,634	..	..	..
Maine	3,030,128	2,316,935	1,762,353	554,582	5,126	6,572	45,687	478,411	177,397	267,806	1,958,220	..	664,102	[h]140,000
Maryland	3,295,314	2,538,840	2,263,128	275,712	22,306	9,755	36,162	211,658	476,593	329,531	2,372,626	..	..	[h]593,157
Massachusetts	7,117,725	4,125,779	2,927,100	1,198,679	24,310	8,768	9,283	1,888,676	1,060,909	1,392,066	4,995,116	..	730,543	..
Michigan	23,212,316	21,188,145	16,296,515	4,891,630	315,204	15,600	101,863	297,657	1,293,847	891,104	15,239,152	6,000,000	1,082,060	..
Minnesota	10,846,826	10,690,671	8,871,718	1,818,953	21,570	7,081	39,384	55,647	32,473	..	6,990,359	..	[i]3,800,527	..
Mississippia	2,963,381	..	..	..	..	..	..	..	..	151,380	253,401	2,558,600	..	..
Missouri	9,690,727	9,663,645	..	..	..	..	..	..	27,082	454,982	6,168,245	..	3,067,500	..
Montana [a]	1,549,487	..	..	..	..	..	..	..	..	86,914	..	1,429,260	..	[j]33,313
Nebraska	4,289,969	4,028,067	3,411,760	616,307	8,660	3,236	58,672	..	191,334	105,927	1,239,342	2,891,798	..	[f]52,902

Nevada	296,881	292,172	..	..	..	475	4,000	..	234	15,524	107,385	..	173,972	..
New Hampshire	2,248,213	1,796,597	..	..	..	6,615	30,833	291,207	122,961	175,797	2,057,374	..	..	[f]15,042
New Jersey	14,803,016	10,814,412	6,850,483	3,963,929	88,322	13,062	85,240	2,901,719	900,261	948,071	8,716,581	4,782,258	..	[k]356,106
New Mexico	756,763	723,234	640,505	82,729	5,648	568	11,144	..	16,169	74,692	449,726	224,862	[l]7,483	..
New York	38,293,313	34,040,850	24,411,272	9,629,578	147,714	59,210	216,279	3,146,192	683,068	1,415,965	27,360,992	5,906,006	..	[m]3,710,350
North Carolina [a]	7,045,116	..	..	..	..	..	..	..	..	300,000	4,239,853	..	2,505,263	..
North Dakota	1,989,475	1,973,344	1,564,028	409,316	..	1,222	14,909	..	..	262,915	[n]928,280	798,280	..	..
Ohio	12,860,453	12,324,285	..	..	..	..	..	11,125	525,043	390,000	6,430,226	6,040,227	..	..
Oklahoma [a]	6,964,360	..	..	..	..	..	..	..	..	215,310	2,770,092	3,978,958	..	..
Oregon	7,644,226	7,346,205	6,327,607	1,018,598	..	9,597	29,213	62,932	196,279	351,325	2,142,138	1,807,381	3,343,382	..
Pennsylvania	29,264,695	21,932,837	15,406,163	6,526,674	57,423	33,426	360,371	2,608,203	4,272,435	1,750,000	23,321,267	..	2,761,783	[o]931,645
Rhode Island	2,403,809	1,985,526	1,531,955	453,571	1,848	3,322	16,030	314,948	82,135	229,644	2,117,414	45,338	..	[o]11,413
South Carolina	2,674,379	2,509,158	2,109,228	399,930	31,042	1,470	30,882	..	101,827	29,907	2,644,472	..	..	..
South Dakota	3,150,657	3,064,539	2,629,191	435,348	..	964	27,750	..	57,404	63,013	1,575,329	1,512,315	..	..
Tennessee [a]	4,288,420	..	..	..	..	..	..	..	..	107,368	2,090,526	2,090,526	..	..
Texas	20,418,696	19,678,457	16,240,125	3,438,332	205,932	15,918	71,160	37,439	409,790	796,572	11,521,233	8,100,891	..	..
Utah [a]	838,300	..	..	..	..	..	..	..	..	130,000	372,900	..	335,400	..
Vermont	2,339,782	2,007,736	1,666,898	340,838	..	3,343	33,945	247,292	47,466	..	2,339,782	..	..	..
Virginia	6,145,296	5,662,036	4,794,734	867,302	8,164	8,121	72,902	52,367	341,706	260,000	5,885,296	..	..	..
Washington	7,547,382	6,962,851	5,451,794	1,511,057	59,766	12,647	90,606	407,958	13,554	346,714	4,561,223	2,231,487	..	[p]407,958
West Virginia	4,565,836	4,131,275	3,223,064	908,211	5,105	6,095	48,640	138,679	236,042	215,621	1,210,460	..	3,106,667	[f]33,088
Wisconsin	11,780,703	11,382,876	9,072,253	2,310,623	20,180	17,653	107,815	71,703	180,476	650,000	6,199,689	4,931,014	..	..
Wyoming [a]	647,200	..	..	..	..	..	..	..	..	..	647,200	..	..	..
Dist. Columbia	665,914	158,672	135,675	22,997	..	1,009	2,107	191,763	312,363	86,423	..	..	..	[p]579,491
Detailed totals [a]	319,810,899	284,792,752	[q]	[q]	1,606,838	$344,392	$2,081,064	15,719,794	15,266,059	..	..	..	..	..
Grand total	347,843,543	..	..	..	..	..	..	..	..	17,402,798	223,292,969	66,861,364	33,183,473	7,102,939

a—Eight states thus noted do not report complete details, and receipts are not included in "detail totals."
b—States for which no figures are shown make appropriations for administration.
c—Payments on state highways bonds, except as noted.
d—Includes payments on county bonds of $1,971,291.
e—For state general funds.
f—For state motor vehicle fee refunds.
g—For state highway motor patrol.
h—For Baltimore city streets.
i—County bond payments assumed by state.
j—For auto theft fund.
k—Includes $105,106 for new state highway office building and $251,000 for free bridge commission.
l—Interest on notes outstanding.
m—For New York City general fund.
n—Includes special State bridge fund.
o—For administration of fuel tax law.
p—For traffic control signals, and streets, as appropriated by Congress.
q—Only 34 States report detail of motor car receipts as follows: Passenger car and bus receipts $189,499,784, and truck and tractor receipts $56,955,890, making a total of $246,455,674.

cars. The number exempted by West Virginia is seen to be rather large, as compared with other states. Oregon, with 269,007 cars, exempted 1,483 state and local official cars, while West Virginia, with 268,888 cars, exempted 2,388 state and local official vehicles. Oregon is mentioned only because it is nearest West Virginia in the total registered.

Local and Centralized Registration

There has been a more or less constant agitation for the local distribution of motor vehicle license plates. Those who advocate this plan, assert that it would be much more convenient for the owner of a motor vehicle to get his plates when desired at his own county seat, than to send to Charleston. It is further asserted, that if he sends to Charleston in time to avoid the congestion of the last few days of the year he loses the interest on his money for two or three weeks. Another assertion that has been advanced is that the money for motor vehicle fees is concentrated in Charleston banks.

In reply to the convenience argument, it may be pointed out that under the present plan the motor vehicle owner simply signs his name to a card which has been prepared and sent to him by the State Road Commission, and drops the card, together with his remittance, into the nearest mail box, and in a few days his mail carrier delivers the plates to his door. It is difficult to see how a trip to his county seat, with the inevitable standing in line, could be more convenient.

With county seat distribution, the motor vehicle owners of each county would wait until the last few days, with resultant congestion at every license plate office. By virtue of having the Capitol, Kanawha County has local distribution, and each year the majority of the people of Charleston and adjacent territory wait until the figurative last minute before going to the Capitol to get their plates. It is not to be presumed that human nature in the other 54 counties would be different.

The loss of interest involved in the payment of license fees in advance is slight. In the case of a man whose payment is twenty dollars and who gets his plates as much as a month ahead of time, the interest at 6% would be 10 cents.

Money paid to the State for motor vehicle license fees is not concentrated in Charleston banks, and does not even pass through Charleston banks. The receipts each day are turned over to the

State Treasurer, and are promptly pro-rated and sent out by the Treasurer to the banks of all the counties of the State, in accordance with the state depository law of 1925. The Charleston banks get their pro-rata shares and no more.

In support of the present centralized plan of distribution, it is claimed that it is less costly than a local plan would be, that it makes possible far greater efficiency and accuracy of records, and that it is more convenient for the majority of the people.

The cost of the distribution of plates under the present system is approximately as follows:

Postage on plates (300,000 sets)	$ 24,000.00
Two counter clerks	4,020.00
Two shippers	2,940.00
Numbering clerk (does other work also)	1,680.00
Extra help in rush season	3,000.00
Total plate distribution cost	$ 35,640.00

The cost of local distribution is estimated as follows:

Fee of 25 cents per set on 300,000 sets	$ 75,000.00
Freight and drayage	2,500.00
Shipper's salary	1,500.00
Traveling auditors	7,500.00
Bookkeeper to handle 55 extra accounts	1,800.00
Total distribution cost	$ 88,300.00

All other costs, such as the manufacture of plates, the issuing of certificates of title, and the keeping of records at the Capitol, would remain the same.

It is believed that local distribution is a matter of local sentiment rather than of economy or convenience.

The methods of distribution of license plates in the various states are as follows:

Alabama—Probate Judge issues license plates in county of residence.
Arizona—By Motor Vehicle Division, Phoenix.
Arkansas—By Commissioner of State Lands, Highways, and Improvements, Little Rock.
California—Division of Motor Vehicles, Sacramento.
Colorado—County Clerk and Recorder in each county.
Connecticut—Commissioner of Motor Vehicles, Hartford.
Delaware—Vehicle Department and duly authorized agents.
Florida—Agencies designated in each county.

Georgia—Secretary of State, Atlanta.
Idaho—Commissioner of Law Enforcement and agencies designated by him.
Illinois—Secretary of State, Springfield.
Indiana—Secretary of State, or agency designated by him.
Iowa—County Treasurer.
Kansas—Secretary of State, Topeka.
Kentucky—County Clerk.
Louisiana—Secretary of State.
Maryland—Commissioner of Motor Vehicles.
Maine—Secretary of State.
Massachusetts—Registrar of Motor Vehicles.
Michigan—Secretary of State.
Minnesota—Registrar Motor Vehicle Department, St. Paul.
Mississippi—Tax Collectors.
Missouri—Commissioner of Motor Vehicles.
Montana—Registrar of Motor Vehicles.
Nebraska—Department of Motor Vehicle Registration.
Nevada—County Assessor.
New Hampshire—Commissioner of Motor Vehicles.
New Jersey—Department of Motor Vehicles.
New Mexico—Registrar of Motor Vehicles.
New York—County Clerk, except counties having an office of Bureau of Motor Vehicles.
North Carolina—Commissioner of Revenue.
Ohio—Branch offices in cities and towns, as seems desirable.
North Dakota—Registrar of Motor Vehicles.
Oklahoma—State Highway Department.
Oregon—Secretary of State.
Pennsylvania—Bureau of Motor Vehicles.
Rhode Island—Automobile Department.
South Carolina—State Highway Commission.
Tennessee—County Clerk.
Texas—State Highway Department.
Utah—Motor Vehicle Department.
Vermont—Commissioner of Motor Vehicles.
Virginia—County Treasurer.
Washington—Department of Licenses. Can act through county auditors.
West Virginia—State Road Commission.
Wisconsin—Motor Vehicle Division.
Wyoming—Secretary of State.
District of Columbia—Superintendent of Licenses.

BOND ISSUES AND THE STATE ROAD PROGRAM

Federal Aid and the State Act of 1917

The Constitution of West Virginia, as originally adopted, made no provision for the construction of roads with State funds. All road improvements remained under local control, with wide variations in quantity and quality of work, until 1917, when the Legislature passed an act creating a state-wide system of inter-county roads. At the same session, the lawmakers provided for the acceptance of Federal aid, which had been voted by Congress in the fall of 1916, and created a State Road Commission of two members.

Under the Act of 1917, the inter-county roads were designated as "Class A" and all other public roads as "Class B." No county could have more than two "Class A," roads. They were selected by the county courts, and the State Road Commission was required to approve these selections if they complied with the provisions of the law as to location. Usually, they ran from border to border, east and west, and north and south.

In order to receive State and Federal aid, a county was required to appropriate a sum equal to that received from both the State and Federal governments. The Federal Government, however, did not deal with counties, but with the state only. The State's share was derived from the license tax on motor vehicles and that of the counties from a road levy not to exceed 25 cents on each $100.

The State Road Commission had charge of the distribution of State and Federal aid, the establishment of State construction standards, and the supervision of the construction of roads comprising the inter-county system. On Federal aid projects, supervision was also exercised by Federal engineers. Contracts for construction were let by the county courts.

The "samples" of good roads build with State and Federal aid, in accordance with approved standards, were so pleasing to the people that public sentiment demanded a much greater program, to be financed by the State and to be in full charge of state officials and engineers.

Constitutional Amendment Authorizing Bond Issues

It became necessary, then, to consider a change in the constitution of the State, and in 1919 the Legislature voted to submit an amendment to the people, as follows:

"The Legislature shall make provision by law for a system of State roads and highways connecting at least the various county seats of the State, and to be under the control and supervision of such State officers and agencies as may be prescribed by law. The Legislature shall also provide a State revenue to build, construct and maintain, or assist in building, constructing and maintaining the same, and for that purpose shall have power to authorize the issuing and selling of State bonds, the aggregate amount of which, at any one time, shall not exceed fifty million dollars.

"When a bond issue as aforesaid is authorized, the Legislature shall at the same time provide for the collection of an annual State tax sufficient to pay annually the interest on such debt, and the principal thereof, within and not exceeding thirty years."

New Road Law of 1921

This amendment was ratified by the people November 2, 1920. Acting under the authority thus given, the Legislature of 1921 passed a law providing for the designation, construction, and maintenance of a State road system "to connect at least the various county seats and with important roads of adjoining states." The law provided that a State Road Commission of three members, not more than two of the same political party, should be appointed by the Governor, to carry out the provisions of the statute. By this act, also, the old "Class A" and "Class B" system of roads was abolished, and all public roads in the State were designated as "State Roads" or "County-District" roads.

The old "Class A" mileage figures were retained, however, as the basis on which to apportion the greater part of the State road funds. The law required that the available proceeds of State road bonds, Federal aid, and money received by the State road fund from other sources, should be totaled, and 80% of the available sum apportioned for construction in the 55 counties according to their respective mileages of the old "Class A" roads. The remaining 20% was to be a reserve fund, to be expended at the discretion of the State Road Commission for two purposes—to build desirable connections, and to effect economies of construction.

The Legislature of 1925 amended this system of apportionment to provide that after July 24, 1925, all Federal aid should go into the reserve fund instead of being apportioned on the 80% and 20% basis as before.

By the 1921 law, the State Road Commission was given direct and complete authority over the roads which the Commission was

to designate as parts of the State system. However, any road designated as a State route remained a county-district road, under control of the county court, until taken over by the State Road Commission for construction or maintenance, at which time it became a State road and remained a State road permanently thereafter. In other words, a vital distinction was made between a state route and a state road. The law permitted the Commission to take over any part of a state route for construction, whenever funds were available, but part of a state route that had been improved by a county could not be taken over by the State for maintenance until the improvements were in accordance with state standards. Each county was required to furnish the rights of way for state roads within its boundaries.

With the exceptions described above, the state and local road systems were by the act of 1921 completely divorced. No county or other political subdivision was required to contribute anything toward the construction or maintenance of the State system, and the State was not required to contribute anything toward the construction or maintenance of local roads.

County Aid in State Road Program

It should be noted, however, that numerous counties and districts have voluntarily contributed funds toward the construction of certain State roads within their borders, in order that desired improvements might be completed at an earlier date than would have been possible otherwise. These voluntary contributions, for the most part, have been raised through local bond issues. The money thus expended on the state system by counties and districts has totaled approximately $8,500,000.

The various county courts (county commissioners) have control of all expenditures on county-district roads. Each county court may lay a county road levy not to exceed 25 cents on each one hundred dollars assessed valuation of all taxable property in the county, the proceeds of which are known as the county road fund and are expended for construction, improvement, and maintenance of county-district roads and bridges. It is required that each county court shall also lay a district levy not to exceed 15 cents on each $100 assessed valuation of all taxable property in each of the several districts of said county, the proceeds of which are known as the district road fund of such district, and are expended for the construction, improvement, and maintenance of county-

district roads in the respective districts, and for the construction and maintenance of bridges after the roads are properly located. In case of emergency, such as floods and the like, which would result in unusual damage, any county court may, with the written approval of the State Tax Commissioner, lay a special emergency district levy not to exceed 10 cents on each $100 assessed valuation of the taxable property of the district, for such year or years as may be named in the approval, but in no case may the combined district levy and emergency district levy exceed 25 cents on each one hundred dollars of assessed valuation. Each county court is required to levy a capitation tax of one dollar annually for road purposes.

Besides these regular and emergency levies, funds may be raised for county-district road or bridge construction through special road fund levies or bond issues. Before any such special levy can be laid or bonds issued, an election must be held in the district, districts, or county, in which the improvements are to be made. Before such an election can be called, a petition signed by at least 20% of the voters of the county, district, or districts, must be presented to the county court, requesting the improvement. Approval of such special levy or bond issue requires at least three-fifths of the votes cast. No county or district, however, can have a total indebtedness exceeding 5% of the assessed valuation of taxable property. Special levies may run for a period not to exceed 10 years, and bonds for a period not to exceed 34 years.

Bond Issues Voted by Legislature

The Legislature of 1921 voted to issue $15,000,000 of the $50,000,000 State road bonds authorized by the people. The bond market at that time was poor, and, since bonds could not be sold for less than par and accrued interest, it was found impossible to dispose of them in the usual manner. Finally, a group of West Virginia bankers bought the entire $15,000,000 on condition that the proceeds be deposited in their banks for certain periods. This method was agreed upon to reimburse the bankers for what they lost by purchasing the bonds at par.

The first money available for the use of the State Road Commission was $100,000 in December, 1921. The members of the Commission had been appointed to take office June 1, 1921, and had proceeded to designate the roads that were to form parts of the

State system, and to build up a state-wide construction organization. Construction began in the spring of 1922.

At the 1923 session, the Legislature voted to issue an additional $15,000,000 of the bonds, and the Legislature of 1925 authorized the issuance of the remaining $20,000,000 permitted by the constitutional amendment. Both of these issues were sold without difficulty at good prices and at favorable rates of interest. The same has been true of all West Virginia State road bonds since sold.

The fifty million bond issue was a revolving fund. That is, as soon as a part of the original bonds were retired, a similar amount of new ones could be sold to bring the total outstanding back to fifty millions. However, no such retirement and reissue could be made unless authorized by the Legislature.

In 1927, the Legislature voted to take advantage of this provision to an extent not to exceed $15,000,000. At that time the sinking fund had accumulated since 1921 and contained a little more than $7,000,000. This was used to retire and reissue, and later sinking fund payments were used in the same manner, up to the legislative limit.

The 1921 act authorizing the sale of the first $15,000,000 of State road bonds, provided that the bonds should be dated July 1, 1921, and should become due and payable serially in equal amounts beginning July 1, 1927, and ending July 1, 1946. The rate of interest was not to exceed 5%, payable semi-annually. In order to provide the revenues necessary to pay the principal and interest, the Board of Public Works was empowered and directed to lay annually a tax upon all real and personal property subject to taxation within the State, sufficient to pay the interest accruing during the current year, and one twenty-fifth of the total par value of the principal. It was provided, however, that if other funds should be available to pay the principal and interest, then no such tax should be levied by the Board of Public Works. To date, other funds always have been available, both for the first issue and for all succeeding issues.

It was provided that the Governor should sell the bonds at such time or times deemed necessary, upon recommendation of the State Road Commission.

In authorizing the second $15,000,000 the Legislature of 1923 provided that the bonds should be dated April 1, 1923, and become due and payable serially in equal amounts beginning April 1, 1929,

and ending April 1, 1948. The interest rate was not to exceed 4½%. The other provisions were the same as in the 1921 issue.

The 1925 act authorizing the $20,000,000 issue, provided that the bonds should be dated January 1, 1925, and should become due and payable serially in equal amounts beginning January 1, 1931, and ending January 1, 1950. The rate of interest was not to exceed 4½%. The other provisions were the same as in the two preceding issues, except that not more than five millions of the bonds were to be sold prior to March 15, 1925.

Half of the reissue of $15,000,000 authorized by the Legislature of 1927 were dated January 1, 1927, and the other half July 1, 1927. The January 1 bonds were to become due and payable serially in equal amounts beginning January 1, 1928, and ending January 1, 1952. The July 1 bonds were to become due and payable serially in equal amounts beginning July 1, 1928, and ending July 1, 1952. The interest was not to exceed 4½%. The other provisions remained the same as in the originals.

Each one of the acts mentioned above contained the provision that the State Treasurer should turn over the sinking fund money to the State Sinking Fund Commission, and that the Sinking Fund Commission should invest this money in bonds of the Government of the United States, the State of West Virginia, or any political subdivision thereof. The bonds so purchased were to mature so as to provide sufficient money to pay off the State road bonds as they became due.

Constitutional Amendment Authorizing Additional Bonds, 1928

By 1927, it had become apparent that the reissue provision of the original $50,000,000 bond issue would not provide funds rapidly enough to meet the public demand. The Legislature of 1927, therefore, voted to submit to the people another constitutional amendment authorizing the State to issue additional road bonds totaling $35,000,000. The issue, however, was not to be a revolving fund. The people ratified the amendment at the election of November 6, 1928, by a majority of almost four to one.

Acting under the authority thus conferred, the Legislature of 1929 voted to sell $20,000,000 of the new bonds, to finance State road and bridge construction for the ensuing two years. Ten millions were to be dated January 1, 1929, and were to become due

and payable, in amounts ranging from $200,000 on January 1, 1930, to $650,000 on January 1, 1954. The other $10,000,000 were to be dated January 1, 1930, and to become due and payable, in amounts ranging from $200,000 on January 1, 1931, to $650,000 on January 1, 1955. (See pp. 46, 383.)

This plan is believed to be somewhat more advantageous than that of paying equal annual sums, since it tends to equalize the total annual payments of principal and interest, instead of throwing the heaviest payments on the first several years. The total paid by the State is also a little less. The rate of interest was not to exceed 4½%.

A special session of the Legislature was held in the spring of 1930 to act on the State code, and it was found advisable at that time to authorize the sale of the remaining $15,000,000 of the $35,000,000 issue, so that there would be no interruption of the State road program. Five millions were sold in August, 1930.

When Are Bond Issues Justifiable?

The advisability of bonds for road construction is one that each state must decide for itself. One point to be considered is whether the state in question is one with possibilities of development. A commonwealth whose resources will be developed and whose population will be increased by good roads can afford to issue bonds to construct those roads because the amount of taxable property will keep pace with the demands of sinking fund and interest. Ordinarily, the state which has never had good roads has, for that very reason, considerable possibilities of development.

In every case, it must be remembered that bad roads mean a considerable degree of isolation from the rest of the world, and, from the rest of the world's money. The state which is not easily reached and penetrated by motor vehicles, is, in these days, seriously handicapped. Industrial and business enterprises look askance at a bad roads state. Such a state will also be avoided by tourists and thus lose a considerable amount of money annually. Even more serious is the effect of bad roads upon the daily occupations of the people. It is certain that virtually every inhabitant of a bad roads state will lose time which might be employed profitably.

With only a dirt road leading from his farm to the city or to the nearest shipping point, the farmer must get his products to market immediately after they are harvested in the fall, before the roads

get impassable. At that time, prices are usually low, and the farmer's profit on his months of labor is small. With a hard surfaced road, he can wait for a better market, and can plan larger crops with the knowledge that he will be enabled to get them to market or shipping point whenever desired. To such agricultural occupations as depend upon frequent trips to markets, such as dairy farming, the all-year road may mean all the difference between poverty and prosperity, since the dairyman is enabled by a good road to reach his customers over a much wider radius, and to reach them regularly and promptly.

While the effects may not be so clearly visible in all cases, there is no occupation which does not profit from good roads. It is obvious that if the farmer profits, the city merchant with whom he spends his money will also profit. The manufacturer from whom the merchant buys will receive a share of the increased prosperity, and the men and women who work for the manufacturer will benefit through more work at better wages.

The Situation in West Virginia

In the case of West Virginia, the necessity for road bonds appeared urgent. In 1920, this State was behind most of the others in the matter of improved roads. We had, also, resources that good roads would develop, thus providing the increase in taxable wealth needed to provide sinking fund and interest.

There were, at that time, no sources of annual revenue that would provide sufficient money to carry on even a fairly good construction program. The State needed at least $10,000,000 a year for roads, and motor vehicle revenues for the year 1921 were only $1,219,000. A gasoline tax, had it been adopted at that time, could not have been expected to produce more than a million additional. The alternative to bonds was taxation so heavy as to be preposterous. Now, almost 10 years later, the annual revenues from motor vehicle fees and the gasoline tax are approximately $10,000,000. But it must be kept in mind, that if the good roads had not been built when they were, the motor vehicle and gasoline revenues would not have increased as they have.

How Long Should Highway Bonds Run?

As previously noted, the West Virginia State road bonds have all been issued serially, and with such provisions for redemption that

they will be paid off within 25 years after the date of issue. The generally accepted principle as to the length of time road bonds should run, is as follows:

That part of the bonds represented by the cost of the wearing surface should be retired within the life time of the wearing surface. That part represented by the cost of the grading and rights of way may be permitted to run for a longer period.

It has been suggested that, to pay off the bonds in their entirety while the road improvements still have years of usefulness, would permit an accumulation of good roads capital. With the 25-year payment period in effect, West Virginia will accumulate such capital, not only in grading and rights of way, but also in wearing surfaces. The portion of our bonds represented by surfaces will be retired some time before high type hard surfaces normally are worn out.

As pointed out by Agg and Brindley in their work *State Highway Administration,* part of the expense on roads is for work of a permanent nature, such as grading and drainage. Bonds for these expenses could well have a life of fifty years. Other costs such as surfacing are constantly recurring. Some kinds of road improvements are also of such temporary nature that they do not justify any bond issue.

Most authorities agree that the life of a concrete road surface, properly constructed, is approximately 20 years. The life of a bituminous surface is more indefinite, depending somewhat upon maintenance and renewals. In West Virginia, both types have been satisfactory, but the term of years covered by State Road Commission experience has not been sufficient to reach final conclusions. It is usually wise, however, to base borrowing policies upon conservative estimates.

Concrete roads appear to be most popular with the traveling public, and since the traveling public pays the entire cost in this State, this preference would seem to demand consideration. Such a high type as concrete is only justified, however, on roads carrying heavy traffic. For a very large mileage, the lower cost types are satisfactory.

Average costs to date of construction of the various types in West Virginia are given in an accompanying table. (Table XII—11.) In the recent address, Thomas H. MacDonald, chief of the Bureau

TABLE XII—11: WEST VIRGINIA STATE ROAD COMMISSION CONSTRUCTION COST

Type	Miles Constructed	Total Cost	Average Cost Per Mile
Grading and Draining	1,742.928	$29,250,813.28	$16,782.57
Concrete	293.683	9,115,891.14	31,039.90
Bituminous Macadam	391.411	9,488,042.51	24,240.61
Waterbound Macadam	38.52	566,456.28	14,705.51
Brick	6.63	274,718.55	41,435.67
Rock Asphalt	28.854	779,264.51	27,007.16
Bituminous Concrete	22.877	574,813.87	25,126.28
Gravel	440.566	2,597,692.27	5,896.26
Shale	34.89	62,639.53	1,795.34
Cinders	4.77	12,668.09	2,655.78
Traffic Bound Stone	22.61	255,037.71	11,279.86
Stone Base	57.19	673,453.11	11,775.10
Chert	20.792	84,411.57	4,059.81

of Public Roads, gave the following figures as representing the average capital investment in a mile of the several common types:

Gravel, $10,000; waterbound macadam, $15,000; bituminous macadam, $25,000; bituminous concrete, $30,000; concrete, $35,000; brick, $40,000.

A comparison shows that as to gravel, West Virginia is considerably below the average cost. As to waterbound macadam, bituminous macadam, bituminous concrete and concrete, our costs are seen to be a little below the average, and as to brick they are a little above the average. The mileage we have constructed of brick is small, however.

"PAY-AS-YOU-GO" POLICY

Of the "Pay-as-You-Go" policy, Agg and Brindley have the following to say:

> "Much has been said in recent years about what is called a 'Pay-as-You-Go' policy of road construction, by which is meant that highways should be improved only as current funds are available. A large part of the discussion on this policy has disregarded the most elementary facts involved in the problem of highway finance. It has frequently been interpreted to mean that no highway construction should be financed by the issuance of bonds. Such a contention is just as erroneous as would be one that the maintenance of roads should be paid for from funds obtained by issuing bonds. When an improvement will last ten or fifteen years, possibly for a longer period, a true 'Pay-as-You-Go' policy does not mean that this particular improvement should be financed out of the current taxes of any one year. To do so is not a 'Pay-as-You-Go' policy, but on the contrary is a 'Pay-Before-You-Go' method of highway finance.
>
> "Nor should posterity be asked to pay for improvements that have worn out or become obsolescent. That is a 'Pay-After-You-Have-Gone' policy. A true 'Pay-as-You-Go' policy points just as logically to the issuance of bonds for certain permanent capital improvements as it does to the financing of repairs and maintenance out of ordinary current revenue."

These authorities also say:

> "It is a serious mistake to assume that the burden of interest payment is avoided by financing all highway improvements out of current taxes. The argument so frequently heard that interest charges are escaped by refusing to issue bonds is an economic illusion, which often prevents the adoption of a sound plan of highway finance."

It is obvious that a state's current revenues can be invested to produce interest. If they are expended for roads, the interest is lost, and the effect on the state's finances is the same as though bonds had been issued and interest paid.

For instance, if a state has an annual revenue of $5,000,000 and invests it at 5%, the interest is $250,000 a year. If the $5,000,000 be expended for roads, the $250,000 a year is not received. The net result is that the state forfeits $250,000 a year interest in order to get the new roads.

Now, if the state issues bonds for $5,000,000 and pays 5%, the situation is identical.

RELATIVE IMPORTANCE OF MAIN AND LOCAL ROADS

There has been in West Virginia some criticism of the fact that our State road law requires the construction of roads in every county, rather than the construction of main through highways. By an intelligent use of this county apportionment plan, supplemented by the 20% reserve fund, the State Road Commission has been able to build through highways, but, of course, the process has been much slower than it would have been had the law provided definitely for the construction of such cross-state roads. In view of this situation, the comments of Harger on the relative importance of main and local roads are of interest. He says in his work, *Rural Highway Pavements:*

> "The general city public and even engineers are inclined to think too much of the main roads in connection with any state

or national program of highway improvement. This is natural, as the main roads are more spectacular. They probably carry 90% of the traffic *during some part of the journey*. A system of improved main roads gives quite complete service to intercity travel; it gives quite complete service to tourist travel but it gives only partial service to local travel, and local traffic is a very large proportion of the total traffic on our roads.

"A large percentage of traffic either originates on or uses a side road during some part of its journey. That is, the main roads only provide direct contact service to about 10 to 20% of the producing area of the district and this element of direct contact is a fundamental service of roads. It is, therefore, extremely poor policy to over-emphasize the importance of the main roads to the extent of disregarding a reasonable treatment of the secondary roads. Main roads are entitled to first consideration and better construction than the local roads but they are not entitled to needlessly expensive construction which tends to delay too long a reasonable treatment of the system as a whole.

"The general character of the system must progress as rapidly as possible up to the standard of general utility; beyond that standard there is no harm in concentrating exceptional expenditures on special roads."

The West Virginia road law, requiring expenditures on all parts of the State system, virtually in proportion to the area traversed, seems to conform rather closely to the "general utility" principle enunciated by Harger.

What Roads Should be Paved?

The volume and character of present or prospective traffic must determine the proper type of improvement to be made on any specified part of the State system. On this point we again quote Harger:

"The travel cost-saving due to pavement plus the operation savings due to better location and to grading improvements must at least equal the yearly cost of the road, in order to justify the improvement from the standpoint of travel economy. The yearly road charge includes interest on the total construction investment (including grading, drainage and pavement) and also the annual charges for maintenance and renewal of the surface."

To determine what expenditure is justified, Harger assumes that the travel cost-saving averages one cent per mile for average mixed traffic. On this basis, he has prepared the accompanying figures.

Table XII—12: Traffic as Related to Justifiable Construction Costs

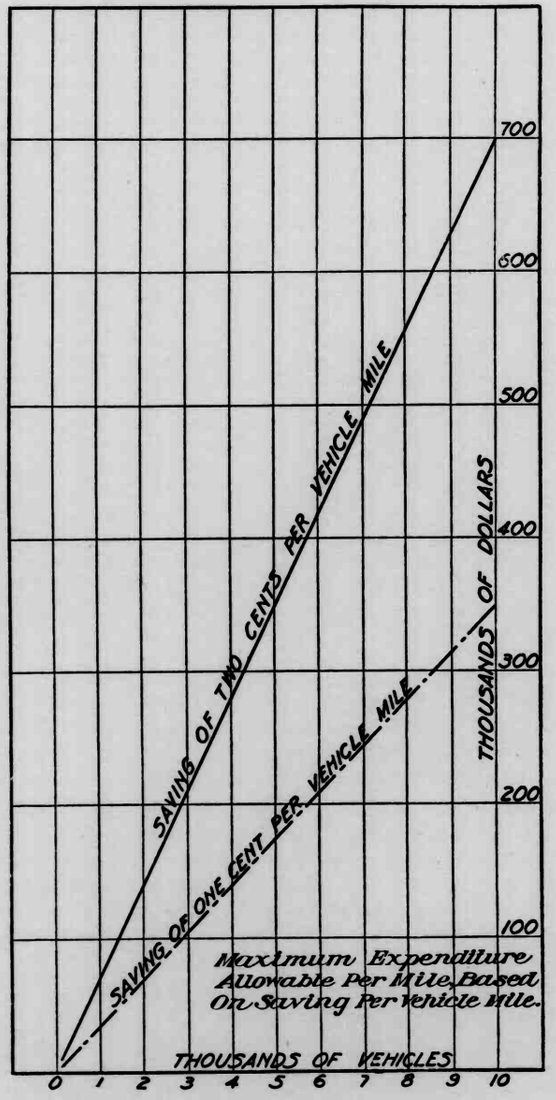
Average Daily Number of Vehicles	Assumed Yearly Saving Based on One Cent Per Vehicle Mile Average Mixed Traffic	Maximum Allowable Expenditure Per Mile for Original Construction Based On Pavement Benefits	Reasonable Expenditure With Some Profit to the Community
100	$ 350	$ 3,500	$ 2,300
200	700	7,000	4,600
300	1,050	10,500	6,900
400	1,400	14,000	9,200
500	1,750	17,500	11,500
600	2,100	21,000	13,800
700	2,450	24,500	16,100
800	2,800	28,000	18,400
900	3,150	31,500	20,700
1,000	3,500	35,000	23,000
1,500	5,250	52,500	34,500
2,000	7,000	70,000	46,000
3,000	10,500	105,000	69,000
4,000	14,000	140,000	92,000
5,000	17,500	175,000	115,000
10,000	35,000	350,000	230,000

a—The third column represents maximum allowable expenditure If construction equals this amount, the community gets no money return on the investment. The money is merely taken out of one pocket and put in another. It is therefore not desirable to use more than two thirds of these amounts if a substantial profit is considered desirable. Column four has been figured on this basis.

In connection with this table of Harger's, it should be noted that the most recent researches by the University of Iowa and the University of Washington indicate that when a low type road is replaced with an intermediate type, the saving per motor vehicle mile is approximately one cent. When the intermediate type is replaced by a high type, another saving of approximately one cent a mile results. Thus, the saving when a low type is replaced by a high type is two cents per mile. By low type is meant natural earth or very poor gravel. By intermediate type is meant standard gravel, waterbound macadam, or bituminous treated gravel. By high type is meant concrete, bituminous macadam, brick, rock asphalt, etc. (See Chart XII—3, p. 378.)

The West Virginia cost of grading and draining averages $16,782 a mile, and gravel surfacing $5,896 a mile. A simple calculation based upon the above table shows that we must have a traffic count

CHART XII—3



of slightly more than 600 vehicles per day to finance the grading, draining, and gravel surfacing of an unimproved road. By the same process, but figuring a saving per vehicle mile of two cents, we find that a traffic count of 600 vehicles per day will also finance grading, draining, and bituminous macadam surfacing, and a count of 700 vehicles per day will finance grading, draining, and concrete. These figures take into consideration only the maximum allowable expenditure.

Besides these travel cost-savings, there are, as previously noted, several other community and state benefits derived from improved roads which produce wealth indirectly. If construction be based upon travel cost-savings alone, these indirect benefits must be considered as clear profit.

The annual traffic census taken by the State Road Commissions shows the number of vehicles using the various highways. What the traffic will be on any road after one type has been replaced by a higher type is a matter that requires individual study of each project.

In this connection, it must be kept in mind that the vehicle counts in the Harger table are averages for the entire year. The counts made in summer or fall, when a traffic census is usually taken, are much larger than the average. This applies especially to traffic in rural districts, which is more affected by weather conditions than traffic in and near cities. In winter, also, tourist travel is reduced to a minimum.

TABLE XII—13: WEST VIRGINIA STATE ROAD COMMISSION MAINTENANCE COST, 1929

Type	Total Miles Under State Maintenance	Total Cost	Cost Per Mile
Concrete	631.104	$ 514,867.24	$ 815.82
Brick	126.411	111,161.66	879.37
Bituminous Macadam	759.868	715,494.76	941.60
Waterbound Macadam	147.972	91,194.80	616.30
Miscellaneous Asphalt Types	144.776	138,758.17	958.43
Traffic Bound Surfacing	736.576	784,112.78	1,064.54
Bituminous Treated Traffic Bound Surfacing	135.63	156,418.98	1,153.28
Bituminous Retread	51.17	57,462.93	1,122.98
Graded Earth	434.08	229,175.20	527.96
Total Miles	3,167.587	$2,798,646.52 (Total cost)	883.53 (Av. cost per mile)

a—The above cost includes considerable work ordinarily classed as improvements and betterments.

Maintenance

Maintenance is an important consideration in any road program. The cost of the work necessary to keep the highways in good condition for traffic varies with the different types, and is always a factor in determining what type shall be constructed.

Here, again, the number and character of vehicles using the road are questions of first importance. For light traffic, a gravel surface or one of the cheaper flexible types may be economically maintained, while with heavy traffic the cost of maintaining the same surface would be prohibitive.

The average cost of maintenance of the various types in West Virginia in 1929 is given in Table XII—13.[1] The average cost of maintenance of state systems in all the states is shown in Table XII—14. In West Virginia, the prevalence of earth slips and slides, due to our geological conditions, tends to keep maintenance costs high, as does also our rough topography. It will be noted, however, that even with these handicaps, our average is nineteenth in the list of states.

When maintenance is mentioned, the average man thinks only of the road surface, but in many cases the direct expenditure for the preservation of the surface is only a fractional part of the total. For instance, in 1929, the West Virginia average cost per mile for the surface patching and maintenance of concrete roads was $189.44, while the total average cost per mile for the maintenance of the same concrete roads, was $813.56.

In addition to slips and slides, items wholly or partially included in maintenance are: surface treatments, ditches and shoulders, bridge and culvert maintenance, road signs of all kinds, some guard rail, piling, casings, retaining walls, anti-dust treatments, painting, and the necessary engineering and supervision, besides the actual patching and maintenance of the road surface.

Another important point to be considered is that in West Virginia additions and betterments have been included under the head of maintenance, while in many other states they are not so included.

[1]Page 379.

Table XII—14: Maintenance Costs of the Various States, 1929 [a]

State	Improved Mileage on State System at Beginning of 1929	Average Maintenance Cost Per Mile
Alabama	4,112	$ 302
Arizona	1,784	625
Arkansas	7,263	366
California	4,515	1,146
Colorado	6,726	212
Connecticut	2,065	1,191
Delaware	669	293
Florida	2,918	508
Georgia	4,341	173
Idaho	2,699	349
Illinois	7,135	367
Indiana	4,610	786
Iowa	6,108	756
Kansas	5,304	706
Kentucky	4,830	618
Louisiana	6,644	565
Maine	1,136	1,991
Maryland	2,716	1,058
Massachusetts	1,610	2,155
Michigan	7,147	1,048
Minnesota	5,183	994
Mississippi	2,854	781
Missouri	7,312	643
Montana	1,632	333
Nebraska	4,700	671
Nevada	1,562	284
New Hampshire	1,327	2,164
New Jersey	1,111	1,890
New Mexico	5,400	251
New York	10,614	899
North Carolina	7,124	640
North Dakota	4,687	191
Ohio	10,647	1,303
Oklahoma	4,138	847
Oregon	3,723	975
Pennsylvania	12,756	1,627
Rhode Island	529	2,929
South Carolina	5,268	366
South Dakota	4,977	375
Tennessee	5,891	907
Texas	10,636	1,097
Utah	3,458	292
Vermont	1,496	946
Virginia	5,094	670
Washington	2,947	953
West Virginia	3,167	883
Wisconsin	8,595	441
Wyoming	2,000	565

a—It will be seen from this list that West Virginia ranks 19th in average maintenance cost per mile. Of the adjoining states, Ohio, Pennsylvania, and Maryland, have higher average maintenance costs than West Virginia, while those of Virginia and Kentucky are lower.

Appendix to Chapter XII

TABLE XII—15: FEDERAL AID APPORTIONED TO WEST VIRGINIA SINCE CREATION OF THE STATE ROAD SYSTEM

Fiscal Year	Amount
1921–22	$802,359.77
1922–23	534,906.51
1923–24	696,085.80
1924–25	798,275.47
1925–26	804,443.00
1926–27	793.936.00
1927–28	793,636.00
1928–29	793,796.00
1929–30	796,408.00
1930–31	1,321,376.00
Total	$8,135,222.55

TABLE XII—16: WEST VIRGINIA STATE ROAD SYSTEM AS OF JUNE 30, 1930

Type of Road	Number of Miles Completed	Number of Miles Under Construction
Graded Earth	384.58	162.37
Gravel	595.75	70.50
Waterbound Macadam	118.94	51.71
Bituminous Macadam	767.81	124.21
Rock Asphalt	63.38	7.44
Bituminous Concrete	79.20	1.34
Concrete	680.45	89.19
Brick	117.08	..
Shale, Cinders, etc	159.75	35.93
Sheet Asphalt	00.70	..
Stone Base	59.07	85.18
Totals	3,026.71	627.87

SUMMARY OF STATE ROADS

	Completed Mileage	Under Construction	Total
Hard Surfaced	2,642.13	465.50	3,107.63
Graded Earth	384.58	162.37	546.95
Totals	3,026.71	627.87	3,654.58
Unimproved Mileage	.....	.....	497.30
Grand Total State System	.....	.....	4,151.88

TABLE XII—17: STATE HIGHWAY BONDS FROM FIRST ISSUE TO END OF FISCAL YEAR, 1929
(As reported to the U. S. Bureau of Public Roads)

	State	Year First Authorised	Total Bonds Authorised Omitting Refund Bonds	Total Bonds Issued Including Refund Bonds	Total Bonds Retired to End of Fiscal Year	Net Bonds Outstanding Including Refund Bonds	Sinking Fund Balance Accrued End Fiscal Year	Net Bonded Indebtedness (Outstanding less Sinking Fund)
1	Massachusetts	1894	$ 16,260,000	$ 13,767,000	$ 10,916,500	$ 2,850,500	$ 1,825,000	$ 1,025,500
2	Idaho	1905	3,747,500	3,911,000	1,138,500	2,772,500	761,412	2,011,088
3	Rhode Island	1906	6,000,000	6,000,000	477,000	5,523,000	1,324,539	4,198,461
4	New York	1907	100,000,000	110,000,000	3,600,000	106,400,000	36,404,749	69,995,251
5	Maryland	1908	40,770,000	42,640,000	23,138,200	19,510,800	..	19,510,800
6	New Hampshire	1909	190,000	2,350,000	750,000	1,600,000	..	1,600,000
7	Washington	1909	12,750,000	125,000	125,000	..	..	..
8	California	1911	73,000,000	73,000,000	10,000,000	62,950,000	..	62,950,000
9	Utah	1911	7,280,000	7,280,000	..	7,280,000	3,194,500	4,085,500
10	Connecticut	1911	3,000,000	3,000,000	268,000	2,732,000	2,424,038	307,962
11	New Mexico	1912	2,500,000	2,500,000	220,000	2,280,000	80,000	2,200,000
12	Maine	1913	19,923,000	19,918,500	2,606,000	17,312,500	..	17,312,500
13	Oregon	1917	39,200,000	41,700,000	9,945,750	31,754,250	..	31,754,250
14	Delaware	1917	12,000,000	12,000,000	2,100,000	9,900,000	1,799,053	8,100,947
15	Louisiana	1918	17,750,000	17,750,000	270,000	17,480,000	914,900	16,565,100
16	Illinois	1919	147,000,000	147,000,000	8,000,000	139,000,000	..	139,000,000
17	South Dakota	1919	6,000,000	6,000,000	2,050,000	3,950,000	3,616,852	333,148
18	Nevada	1919	1,300,000	1,150,000	750,000	400,000	..	400,000
19	Pennsylvania	1919	100,000,000	100,000,000	8,779,000	91,221,000	9,170,190	82,050,810
20	Wyoming	1919	4,600,000	4,000,000	2,700,000	1,300,000	308,478	1,591,522
21	Michigan	1919	50,000,000	54,419,000	4,419,000	50,000,000	14,440,582	35,559,418
22	North Carolina	1921	115,000,000	110,999,600	1,500,000	109,499,600	3,490,181	106,009,419
23	Colorado	1921	11,000,000	11,000,000	3,510,000	7,490,000	622,140	6,867,860
24	West Virginia	1921	88,000,000	73,100,000	13,890,000	59,210,000	474,682	58,735,318
25	Missouri	1921	135,000,000	75,000,000	12,000,000	63,000,000	62,937,207	62,793
26	New Jersey	1921	100,000,000	47,500,000	..	47,500,000	13,087,202	34,412,798
27	Alabama	1923	7,500,000	7,428,000	4,601,000	42,899,000	..	42,899,000
28	Virginia	1926	13,850,000	11,500,000	..	11,500,000	..	11,500,000
29	Tennessee	1927	54,000,000	54,000,000	..	54,000,000	..	54,000,000
30	Arkansas	1927	8,000,000	7,559,000	..	7,559,000	..	7,559,000
31	Vermont	1928	..	..	..	..	..	..
32	Kentucky	1928	65,000,000	..	..	..	..	..
33	South Carolina	1929	..	..	..	..	..	..
	Totals		$1,629,072,500	$1,138,166,100	$127,309,950	$1,008,856,150	$93,938,498	$914,917,652

TABLE XII—18: STATE HIGHWAY INCOME AND FUND AVAILABLE DURING 1929 FOR STATE HIGHWAY AND BRIDGE WORK UNDER SUPERVISION OF STATE HIGHWAY DEPARTMENTS

(Compiled from reports of State officials to the Bureau of Public Roads)

State	Total Fund Available for State Highways	Balance From Previous Year	Total Income During Year	State Tax Levied	Appropriation by State	Motor Vehicle Fees, Etc.	Gasoline Tax Receipts, Etc.	Miscellaneous Income	State Bonds and Notes	Federal Aid Fund Used	Fund Transfered From Local Authorities
Alabama	$ 21,699,043	$ 912,521	$20,786,522	$ ..	$ ..	$ 2,923,785	$ 3,514,666	$ 249,204	$12,299,529	$ 1,274,217	$ 525,121
Arizona	5,379,720	714,487	4,665,233	1,022,604	75,000	701,075	1,399,776	62,511	..	1,309,267	95,000
Arkansas	44,942,679	4,003,134	40,939,545	..	..	4,212,561	6,681,029	..	28,813,921	1,232,034	..
California	43,627,914	10,270,528	33,357,386	..	4,678,963	4,677,535	20,259,509	..	..	3,443,374	297,505
Colorado	9,311,743	1,518,888	7,792,855	1,006,924	..	959,107	3,908,622	38,767	..	1,879,435	..
Connecticut	14,704,796	1,159,649	13,545,147	..	21,486	8,228,159	3,919,607	181,387	..	164,401	1,030,107
Delaware	5,629,416	234,003	5,394,313	..	1,851,750	1,546,614	903,652	33,313	480,105	513,038	66,341
Florida	11,924,107	343,498	11,580,609	..	..	3,462,722	5,855,385	38,606	..	520,767	1,703,129
Georgia	7,757,592	440,871	7,316,721	..	..	4,027,329	2,587,000	6,448	..	390,226	335,718
Idaho	3,824,480	34,550	3,789,930	306,554	..	196,704	2,201,248	21,626	..	477,612	586,186
Illinois	46,391,847	3,863,186	42,528,661	..	374,021	17,035,596	1,616,185	393,637	19,627,156	3,482,066	..
Indiana	21,430,028	1,944,432	19,485,596	..	..	5,950,100	9,973,723	478,050	..	2,368,773	714,950
Iowa	43,365,272	6,292,410	37,072,862	..	..	10,954,726	5,102,318	54	18,403,973	2,537,341	74,450
Kansas	19,063,165	3,303,715	15,759,450	..	..	4,314,150	7,979,161	159,745	..	2,706,701	599,693
Kentucky	19,115,725	1,123,854	17,991,871	933,350	..	4,860,289	7,776,360	158,455	..	1,829,896	2,433,521
Louisiana	24,620,876	1,596,903	23,023,973	..	..	4,524,557	6,449,143	980,163	10,175,178	703,409	191,523
Maine	15,026,449	1,314,142	13,712,307	1,033,686	456,328	3,039,504	2,958,610	762,809	2,397,464	1,170,299	1,893,607
Maryland	17,662,464	1,877,610	15,784,854	..	3,313,716	2,459,611	4,756,796	102,901	4,160,479	509,350	482,001
Massachusetts	25,132,812	4,219,388	20,913,424	1,793,487	..	7,259,355	7,417,078	114,685	..	913,621	3,415,198
Michigan	51,517,432	4,376,628	47,140,804	..	..	21,621,527	19,828,326	1,629,491	..	3,068,069	993,391
Minnesota	35,033,414	11,252,148	23,781,266	1,954,300	..	10,774,671	8,476,159	833,958	..	1,742,178	..
Mississippi	5,543,525	969,461	4,574,064	..	..	375,239	2,746,102	64,045	..	759,595	628,483
Missouri	34,147,114	4,358,501	29,788,613	116,405	..	9,731,712	8,327,198	405,282	7,525,312	3,682,704	..
Montana	4,645,895	219,090	4,426,805	..	..	..	2,228,096	25,550	..	1,940,778	232,381
Nebraska	9,337,294	415,922	8,921,372	..	106,250	1,460,189	5,565,166	..	..	1,658,348	131,419
Nevada	2,897,473	24,019	2,873,454	103,720	8,304	296,530	554,907	349,081	50,000	1,098,609	412,303
New Hampshire	9,822,525	1,334,587	8,487,938	..	..	2,026,773	1,664,279	258,742	1,770,000	520,933	2,247,211
New Jersey	50,749,941	7,181,429	43,568,512	2,264,017	6,888,750	13,496,581	9,886,064	109,296	10,000,000	598,513	325,291
New Mexico	7,778,185	994,969	6,783,216	434,276	..	450,725	2,555,972	..	2,312,738	1,157,474	172,034
New York	145,328,276	75,237,669	70,090,607	..	32,429,071	20,550,000	..	84,036	..	3,629,879	13,397,621
North Carolina	33,463,034	13,991,984	19,471,050	..	..	6,991,878	10,334,359	212,097	..	1,716,919	215,797
North Dakota	4,487,604	223,318	4,264,286	..	376,373	808,207	1,410,000	168,268	..	1,501,438	..
Ohio	39,257,131	2,456,115	36,801,016	..	185,565	6,502,438	20,495,637	..	..	3,013,219	6,604,157
Oklahoma	13,977,565	1,154,915	12,822,650	..	..	3,125,000	5,210,000	28,308	..	1,614,337	2,845,005
Oregon	12,595,034	769,269	11,825,765	..	..	5,548,253	5,036,055	84,135	..	624,415	532,907
Pennsylvania	89,551,214	20,537,326	69,013,888	..	2,890,749	30,494,081	26,933,813	694,007	..	3,534,139	4,467,099
Rhode Island	6,985,184	3,176,279	3,808,905	..	122,780	2,149,848	1,501,090	..	..	35,187	..
South Carolina	24,512,134	6,613,458	17,898,676	..	..	2,600,382	4,741,307	547,124	..	1,126,442	8,883,421
South Dakota	6,227,976	107,830	6,120,146	..	707,500	1,646,981	2,585,894	32,126	..	1,147,645	..
Tennessee	52,514,624	5,666,194	46,848,430	..	..	4,172,418	4,250,635	290,701	28,404,445	2,245,875	7,484,356
Texas	44,678,707	10,580,121	34,098,586	..	..	11,846,639	11,208,098	314,383	..	4,288,873	6,440,593
Utah	4,969,157	724,464	4,244,693	..	773,900	144,261	1,308,000	370,605	..	978,880	669,047
Vermont	13,588,885	4,340,810	9,248,075	374,075	3,387,500	..	297,787	303,496	2,559,000	2,040,936	285,301
Virginia	17,970,843	1,952,366	16,018,477	..	1,657,625	5,656,945	6,795,974	556,247	..	1,297,654	54,032
Washington	15,701,706	..	15,701,706	..	..	8,592,434	5,731,676	..	..	1,329,062	48,534
West Virginia	25,102,355	2,444,458	22,657,897	..	..	4,916,410	5,031,318	..	12,250,000	460,169	..
Wisconsin	28,187,165	6,237,348	21,949,817	..	..	10,095,333	6,597,190	162,364	..	2,438,786	2,656,144
Wyoming	3,593,506	458,941	3,134,565	87,951	..	683,800	1,027,466	420,205	..	895,308	19,835
Total	$1,194,775,026	$232,967,988	$961,807,038	$ 11,431,349	$ 60,305,631	$278,092,734	$287,258,416	$ 11,726,508	$161,229,297	$ 77,572,691	$ 74,190,412

TABLE XII—19: STATE HIGHWAY DISBURSEMENTS DURING 1929

(As reported by State officials to the Bureau of Public Roads)

State	Grand Total Disbursements for and Relative to State Highways	Construction and Right of Way	Maintenance	Miscellaneous Expenses	Equipment and Machinery	Interest on Bonds and Notes	Principal Payment Bonds and Notes	To County or Town for Local Roads	Other Obligations[a]	Unexpended Balance
Alabama	$19,317,352	$14,694,186	$1,245,185	$ ..	$557,733	$1,774,076	$932,521	$ ..	$113,651	$2,381,691
Arizona	4,872,849	3,119,050	1,116,500	..	149,951	..	..	..	487,348	506,871
Arkansas	40,971,429	20,641,551	2,661,157	56,601	290,702	1,837,500	5,500,000	1,800,000	8,183,918	3,971,250
California	30,352,468	20,184,224	5,174,455	..	314,826	2,903,963	1,775,000	..	..	13,275,446
Colorado	7,142,190	3,882,742	1,429,606	21,771	435,116	392,430	780,525	..	..	2,169,553
Connecticut	13,597,327	9,150,626	2,460,783	753,726	386,113	..	..	..	846,579	1,106,969
Delaware	5,207,740	1,863,512	196,174	220,154	..	455,170	2,100,000	..	372,730	421,676
Florida	10,967,163	9,095,091	1,483,684	1,415	121,973	..	..	..	265,000	956,944
Georgia	7,038,986	5,889,082	753,188	11,439	337,634	47,643	..	..	..	718,606
Idaho	3,355,038	1,665,549	944,073	7,011	210,915	152,291	71,500	..	313,699	459,442
Illinois	39,727,610	28,931,114	2,619,398	480,932	248,762	5,428,636	2,001,000	..	17,768	6,664,237
Indiana	20,677,796	16,194,503	3,626,855	..	856,438	..	..	..	..	752,232
Iowa	36,083,378	28,331,477	4,621,702	..	..	1,819,366	711,500	599,833	..	7,281,394
Kansas	17,011,934	10,063,975	3,745,634	..	243,104	..	..	2,444,839	514,382	2,051,221
Kentucky	15,129,695	11,038,160	2,986,021	239,696	825,962	..	..	..	19,856	3,986,030
Louisiana	17,143,101	11,419,437	3,755,644	255,892	1,197,633	368,400	38,000	..	108,095	7,477,775
Maine	14,005,653	8,213,852	2,261,555	372,203	603,745	589,430	531,000	..	1,433,868	1,020,796
Maryland	13,617,491	6,979,051	2,875,050	122,873	251,100	751,716	2,562,000	..	75,701	4,044,973
Massachusetts	20,179,528	9,885,870	3,469,941	..	127,696	362,651	760,143	3,415,198	2,158,029	4,953,284
Michigan	48,655,945	24,376,910	7,496,005	60,751	330,032	2,248,638	1,834,655	11,413,272	905,632	2,851,487
Minnesota	23,366,174	12,165,598	5,152,193	..	842,828	1,579,999	2,221,778	1,403,778	..	11,667,240
Mississippi	4,753,815	2,268,941	2,230,113	11,371	173,251	..	..	..	71,142	789,707
Missouri	28,320,650	20,545,343	4,707,807	..	..	2,067,500	1,000,000	..	..	5,828,464
Montana	4,487,815	3,859,888	544,831	4,999	70,488	1,609	..	..	6,000	158,080
Nebraska	8,467,282	5,227,002	3,156,621	5,996	..	..	..	..	77,663	870,012
Nevada	2,796,895	1,686,145	443,934	50,002	442,842	23,972	150,000	..	..	100,578
New Hampshire	7,713,241	4,138,743	2,872,779	528,908	80,956	..	..	91,855	..	2,109,284
New Jersey	41,396,507	27,460,046	2,100,272	335	17,221	3,388,750	3,500,000	4,929,883	..	9,353,434
New Mexico	6,674,816	4,350,666	1,356,774	123,976	323,185	215,215	305,000	..	..	1,103,369
New York	69,664,096	47,851,719	9,552,143	51,756	..	4,568,000	1,892,488	5,747,990	..	75,664,180

North Carolina	24,901,984	10,767,689	4,561,728	493,073	..	4,859,620	2,000,000	2,219,874	..	8,561,050
North Dakota	4,129,072	2,914,958	899,484	145,023	169,607	..	..	..	..	358,532
Ohio	30,281,207	16,403,891	13,877,316	..	..	..	..	..	..	8,975,924
Oklahoma	11,969,135	8,111,120	3,506,427	133,362	15,346	..	..	..	202,880	2,008,430
Oregon	11,327,834	4,177,307	3,632,653	189,296	..	1,503,578	1,825,000	..	..	1,267,200
Pennsylvania	60,433,804	22,572,564	20,754,045	711,029	3,771,837	4,094,970	2,900,556	1,774,105	3,854,698	29,117,410
Rhode Island	5,412,276	2,797,673	1,549,447	100,436	245,394	256,552	162,780	45,338	254,656	1,572,908
South Carolina	18,581,089	12,794,635	1,932,655	9,287	636,162	..	..	2,995,824	212,526	5,931,045
South Dakota	6,167,966	2,964,529	1,871,204	13,036	4,218	207,500	500,000	..	607,479	60,010
Tennessee	29,740,999	19,671,416	5,344,684	136,178	2,283,228	305,493	2,000,000	..	..	22,773,625
Texas	34,529,884	21,384,574	11,671,289	..	624,838	..	..	..	849,183	10,148,823
Utah	4,544,631	2,351,559	1,007,267	61,601	350,304	335,400	438,500	..	..	424,526
Vermont	12,516,284	10,638,767	1,415,953	..	274,064	187,500	..	..	..	1,072,601
Virginia	14,213,511	10,223,311	3,414,847	..	..	315,690	..	..	259,663	3,757,332
Washington	15,701,706	9,763,936	2,810,068	..	160,212	..	..	2,967,490	..	..
West Virginia	19,184,129	10,439,164	2,848,117	65,392	23,171	2,496,573	3,106,667	..	205,045	5,918,226
Wisconsin	21,009,732	12,407,084	3,791,910	84,838	30	..	783,765	3,942,095	..	7,177,443
Wyoming	3,123,091	1,822,395	1,131,150	..	58,892	94,700	..	..	15,954	470,415
Totals	$910,485,291	$557,400,625	$173,060,321	$ 5,524,358	$18,056,509	$45,834,531	$42,384,378	$45,791,374	$22,433,195	$284,289,735

a—The "Other Obligations" column includes expenses of administration of motor vehicle and gasoline tax laws if under the State Highway Department, also other payments, such as interest on local road bonds assumed by the state Highway Department. The Arkansas payment of $8,183, 918 was virtually all for interest on district bonds for road improvement. However, such local debts assumed by the states are not all included in this column. The bond interest and principal listed for Iowa were county bond obligations assumed by the state. The interest and principal payments listed for Minnesota were on county bonds for state trunk highways, assumed by the state. The bond principal payment by Wisconsin consisted of payments on county bonds.

TABLE XII—20: STATE HIGHWAY SYSTEMS—EXISTING MILEAGE AT END OF 1929

(As reported by State officials to the Bureau of Public Roads)

State	Total Mileage State System	Total Mileage Surfaced	Total Mileage Graded	Total Mileage Unimproved
Alabama	5,539	3,292	543	1,704
Arizona	2,476	1,685	340	451
Arkansas	8,467	6,015	1,311	1,141
California	6,576	4,255	449	1,872
Colorado	9,203	4,192	822	4,189
Connecticut	2,123	2,017	106	..
Delaware	756	756	..	..
Florida	6,520	3,582	280	2,658
Georgia	6,290	3,854	344	2,092
Idaho	4,245	2,484	463	1,298
Illinois	9,889	6,901	259	2,729
Indiana	5,003	4,962	41	..
Iowa	7,206	5,822	715	669
Kansas	8,690	3,464	669	4,557
Kentucky	11,500	5,528	781	5,191
Louisiana	9,113	6,598	286	2,229
Maine	2,041	1,833	..	208
Maryland	2,831	2,831	..	..
Massachusetts	1,625	1,625	..	..
Michigan	7,725	7,139	118	468
Minnesota	6,955	6,723	232	..
Mississippi	10,038	5,110	544	4,384
Missouri	7,827	4,827	1,387	1,613
Montana	8,148	1,513	338	6,297
Nebraska	8,371	4,190	732	3,449
Nevada	3,741	1,560	131	2,050
New Hampshire	2,463	2,289	102	72
New Jersey	1,821	1,759	47	15
New Mexico	9,343	2,196	1,555	5,592
New York	13,959	10,908	32	3,019
North Carolina *a*	8,309	7,333	976	*a*
North Dakota	7,396	2,823	1,426	3,147
Ohio	11,066	10,851	..	215
Oklahoma	6,275	2,928	676	2,671
Oregon	4,381	3,543	226	612
Pennsylvania *a*	13,310	9,846	3,464	*a*
Rhode Island	952	533	182	237
South Carolina	5,981	4,891	151	939
South Dakota	5,983	3,618	1,538	827
Tennessee	6,751	5,006	465	1,280
Texas	18,034	10,896	2,021	5,117
Utah	3,448	1,795	1,194	459
Vermont	4,217	3,485	678	54
Virginia	6,932	4,983	556	1,393
Washington	3,289	2,845	228	216
West Virginia	4,055	2,734	660	661
Wisconsin	10,221	8,880	860	481
Wyoming	3,052	1,424	625	1,003
Totals	314,136	208,324	28,553	77,259

a—The Bureau of Public Roads says that a part of the North Carolina and Pennsylvania mileage listed as "graded" is in reality unimproved, but the number of miles so listed is not known.

TABLE XII—21: LOCAL ROAD MILEAGE (EXCLUSIVE OF STATE SYSTEMS) EXISTING AT END OF 1929

(As reported to the U. S. Bureau of Public Roads)

State	Total Local Road Mileage	Surfaced Mileage Local Roads	Non-Surfaced Local Roads
Alabama	62,404	15,077	47,327
Arizona	19,308	1,912	17,896
Arkansas	60,039	1,943	58,096
California	70,388	21,126	49,262
Colorado	59,771	2,965	56,806
Connecticut	12,022	1,555	10,467
Delaware	3,021	424	2,597
Florida	23,663	11,541	12,122
Georgia	95,132	10,977	84,155
Idaho	34,892	6,400	28,492
Illinois	87,398	14,474	72,924
Indiana	68,658	46,352	22,306
Iowa	96,122	12,199	83,923
Kansas	123,554	2,221	121,333
Kentucky	49,761	11,502	38,259
Louisiana	26,440	4,554	21,886
Maine	18,961	3,944	15,017
Maryland	11,902	2,873	9,029
Massachusetts	17,137	7,699	9,438
Michigan	73,290	18,004	55,286
Minnesota	103,598	28,778	74,820
Mississippi	51,919	11,002	40,917
Missouri	102,765	8,247	94,518
Montana	58,924	1,924	57,000
Nebraska	85,540	1,174	84,366
Nevada	19,799	677	9,122
New Hampshire	9,572	495	9,077
New Jersey	15,386	7,318	8,068
New Mexico	38,442	343	38,099
New York	71,824	21,805	50,019
North Carolina	63,220	22,316	40,904
North Dakota	99,454	769	98,685
Ohio	73,487	37,652	35,835
Oklahoma	114,485	1,846	112,639
Oregon	47,265	8,580	38,685
Pennsylvania	77,366	16,299	61,067
Rhode Island	1,730	492	1,238
South Carolina	51,697	12,685	39,012
South Dakota	114,292	2,529	111,763
Tennessee	60,884	10,178	50,706
Texas	169,836	15,116	154,720
Utah	19,981	2,442	17,539
Vermont	10,825	1,498	9,327
Virginia	52,766	7,344	45,422
Washington	40,633	13,873	26,760
West Virginia	30,744	1,716	29,028
Wisconsin	71,194	18,935	52,259
Wyoming	38,106	336	37,770
Total	2,710,097	454,111	2,255,986

TABLE XII—22: RELATIONSHIP BETWEEN STATE GOVERNMENT AND LOCAL HIGHWAYS AND BETWEEN LOCAL GOVERNMENTS AND STATE HIGHWAY SYSTEMS (1929)[a]

State	State Contributions To Local Highways	Local Contributions To State Highway Funds
Alabama	..	$ 525,121
Arizona	..	95,000
Arkansas	$ 1,800,000	..
California	..	297,505
Colorado	..	..
Connecticut	..	1,030,107
Delaware	..	66,341
Florida	..	1,703,129
Georgia	..	335,718
Idaho	..	586,186
Illinois	..	..
Indiana	..	714,950
Iowa	599,833	74,450
Kansas	2,444,839	599,693
Kentucky	..	2,433,521
Louisiana	..	191,523
Maine	..	1,893,607
Maryland	..	482,001
Massachusetts	3,415,198	3,415,198
Michigan	11,413,272	993,391
Minnesota	1,403,778	..
Mississippi	..	628,483
Missouri	..	..
Montana	..	232,381
Nebraska	..	131,419
Nevada	..	412,203
New Hampshire	91,855	2,247,211
New Jersey	4,929,883	325,291
New Mexico	..	172,034
New York	5,747,990	13,397,621
North Carolina	2,219,874	215,797
North Dakota	..	..
Ohio	..	6,604,157
Oklahoma	..	2,845,005
Oregon	..	532,907
Pennsylvania	1,774,105	4,467,099
Rhode Island	45,338	..
South Carolina	2,995,824	8,833,421
South Dakota	..	..
Tennessee	..	7,484,356
Texas	..	6,440,593
Utah	..	669,047
Vermont	..	235,301
Virginia	..	54,032
Washington	2,967,490	48,534
West Virginia	..	..
Wisconsin	3,942,095	2,656,144
Wyoming	..	19,835
Totals	$45,791,374	$74,190,412

a—It is seen from this table that in 39 states, state highway funds are collected from local political units, while in 15 States, the State Highway Departments expend funds on local roads. It is evident, that in several instances, funds collected from the local political units are expended by the State Highway Departments on local roads, while in others, the funds expended on local roads are not originally collected from local units.

Chapter XIII

TAXATION OF FORESTS[1]

THE recent Commercial Foresters' Conference, held at Charleston, West Virginia, emphasized the numerous ways in which forests have "tied in" with general industry, recreation, health, and a host of other things which have a part in the life of the State. It was clearly the opinion of those attending this conference that, although much of the original reserve of merchantable timber in West Virginia has been cut, there remains sufficient forest area to maintain a permanent supply of timber if there is united effort to protect the present growth, to encourage replanting of forests, and to bring about more intelligent handling of timber land. The Conference urged such revision of the present taxation system of the State as will best maintain the present forest reserve, and bring about its increase as rapidly as possible.

Following the conference, the West Virginia State Forestry Association, which was the outgrowth of this meeting, recommended to the Constitutional Commission the annual assessment of forest land at $1 per acre, and an ad valorem tax of 10% upon the crop at the time it is marketed.

PRESENT METHOD OF TAXING FORESTS

In the past it has been the custom in most states to tax forest lands together with the timber standing thereon on their actual assessed value, just as houses, barns, agricultural lands, and other real estate is taxed. This is the ad valorem system of taxation which is still followed in many states. It has been declared that it offers no incentive for replanting and cultivating young trees and protecting them until maturity, and that it does not give encouragement to those who desire that their commercial trees shall attain full growth.

The necessity is urged of making such economic inducements as will cause the owners of cut-over lands to hold them until forests shall have reproduced themselves, and for the owner of virgin timber or of merchantable second growth to delay the cutting of his

[1]For some reasons, the logical place for this discussion is in Chapter VII where it is mentioned briefly.

trees as long as it will not cause actual loss to himself. Timber, in comparison with other agricultural crops, has been called the "fifty-year crop." The tax exemptions, which growing crops generally receive, do not apply to forests. On the contrary, while other crops are taxed but once, if at all, forests are taxed every year at increasing values until the trees are cut. This tax burden, it is asserted, has been one of the main factors in causing the early cutting of trees, the denuding of our forests, and the failure of private enterprise to undertake reforestation.

Extent of the West Virginia Forest Industry

Approximately nine million acres, or three-fifths of the total area of West Virginia, is potential forest area, according to United States Census and other figures. As a source of raw materials, the forests of West Virginia are of tremendous importance to all branches of industry and the extent of the forest products should be considered.

Returns from West Virginia forests and their manufactured products comprise more than $60,000,000 of the annual revenue of the State. These industries give employment to upwards of 20,000 people. But if there are included such allied industries as the construction and repair of railroad and street cars, the tanning of leather, and the use of wood in scores of other important industries of the State, such as mining, railroad construction, telephone and telegraph lines, the total swells to several times this amount. A few of the items directly or indirectly associated with the forests, as listed by the Census, are presented in Table XIII—1.

West Virginia has the largest hardwood mill in the world and the largest clothes pin factory, besides many wood-using industries not listed above. Products include not only lath, shingles, ties, poles, and mine equipment, but the following: aeroplanes; brushes and brooms; caskets and coffins; chair and chair stock; fixtures; cross arms, insulators, pins, etc.; dairymen and poultrymen's supplies; excelsior; gates and fencing; handles; laundry appliances; machine construction; matches; musical instruments; patterns and flasks; pencils; picture frames and molding; planing mill products; playground equipment; plumbers' woodwork; pulleys and conveyors; ready-cut houses; refrigerators and kitchen cabinets; sash, doors, blinds and mill work; sporting goods; vehicle and vehicle parts; veneer; woodenware and novelties; wood pipe, tanks, silos, and vats.

Table XIII—1: Manufactures of Forest Products in West Virginia

Articles Manufactured	Number of Employees	Value of Products
Boxes	157	$1,168,000
Railroad and street car construction and repair	12,111	33,852,000
Cooperage	96	635,770
Furniture	811	4,177,000
Leather	1,203	13,348,000
Lumber	9,979	35,035,000
Paper and pulp	916	7,607,000
Ship and boat building	178	918,858

West Virginia holds high rank in the production of many important varieties of hardwood lumber. Until a few years ago, the State led the entire country in oak production and is still producing a tenth of the national production. West Virginia has led in the production of chestnut every year but one since 1909 and produces a third of the entire nation's annual chestnut supply. The State also produces more than 2% of the nation's ash, 11% of the basswood, 6% of the beech, 3% of the hemlock, 8% of the hickory, 5% of the maple, 4% of spruce, and 18% of yellow poplar, besides birch, red gum, walnut, cherry, and other varieties of commercial importance. The State stands second in the production of yellow poplar, cherry, butternut, third in buckeye and basswood, and fourth in maple, hickory, and oak.

The almost ideal forest conditions in West Virginia produce lumber of the finest quality. Since the climate is mild, with almost perfect drainage, there is a close similarity between the spring wood and the summer growth. The result is a mild texture, uniform color, fine and subdued grain, and working qualities of the lumber which are unexcelled. Such lumber is a favorite of manufacturers and consumers of furniture, flooring, interior finish, automobiles, and numberless other products.

Although large mill operations in West Virginia are decreasing yearly with the disappearance of the virgin timber, this does not mean that the State is to give up her position of importance in the lumber-producing industry. The smaller mills and wood-products plants are coming into West Virginia just as they have come into other states when the virgin timber stands have been cut out.

A comparison of exports and imports of lumber of both hard wood and soft wood varieties shows that West Virginia is supplying not only her own mills and factories, but also those of other states which can not supply their own raw materials. West Virginia annually consumes some 225 board feet per capita, as compared with 325 board feet per capita consumption for the entire United States. The West Virginia annual production is more than 375 board feet per capita.

It is estimated that West Virginia's potential forests can produce under improved forestry methods not only sufficient raw material to continue to supply present and future industries within her own borders, but also to be able to export unused raw material from her timbered hills and valleys.

Special Considerations in Formulating a Forest Taxation Policy

This brief picture of the industrial importance of the forests of the State is given to show the tremendous potential value of the forests to state development. There are many sections of the State to which the forest is the only source of cash revenue, and to which the maintenance of the forest in a productive state is essential for future economic independence. Therefore, it is assumed that such steps should be taken by the State as will most strongly encourage the protection and development of our forests, since it is known that there is a vast area of sub-marginal land in West Virginia for which the only apparent economic solution is the encouragement of forest development. If, as has been frequently claimed, taxation is one of the most important factors in determining whether the forests of West Virginia shall be protected and developed or not, then the problem of forest taxation should be gone into in greater detail.

In considering the subject of forest taxation there are certain primary requirements generally accepted. The continuing ability of a particular industry to pay taxes is directly dependent not only on its potential ability to create or produce but also on the actual accomplishment of the ends sought, in this case upon the conversion of the produce into a merchantable article. It is obvious that a year's growth of a tree, although it may be considered the year's income from a particular piece of land, cannot be removed and marketed to satisfy the demands of the tax collector. It is only to large forests that rotation systems can be applied and an annual

revenue obtained by cutting certain areas each year. In smaller tracts, even though handled in the most modern and scientific manner, it is seldom economic to cut a few scattered trees each year. It is logical, therefore, that forest taxes be on the harvest or yield rather than on an annual basis.

The Clarke-McNary Congressional Committee has the following to say on the subject:

> "In a number of states constitutional limitations prevent the adoption of needed changes in the taxation of forest lands. As a phase of the timber supply problem, it can only be pointed out that reform in forest taxation is essential to adequate reforestation in the United States, comparable in importance to the protection of forest lands from fires."

In the country at large the timber is being cut at over four times the rate of yield. There are no exact figures for West Virginia at this time but it is safe to say that we exceed this rate. Many operators, however, have hired foresters at great expense to work out a system of forest management to produce a sustained yield, but one after another has had to abandon such system due to economic conditions brought about partly by our present system of taxation. There are, however, several large timber holdings in this State where a modified system of forest management is now being practiced which if carried out will be of great value to the State in that it will perpetuate the timber supply on these areas. Without a change in the tax system these projects cannot survive after the virgin timber has all been cut and there is no revenue with which to pay the taxes during the period of growth.

At the present time there is a market for all of the young growth left on the land after the logging operation in the form of hardwood pulp, acid wood, chemical wood, mine props, ties, poles, etc., and much of the young growth forest is now being cut clean in such a manner as to keep the land from producing a second crop of timber. The annual call for taxes on a crop that takes years to mature drives the land owner to cut smaller and smaller timber until the land is stripped and the area of idle land is fast increasing, even with our improvements in fire protection.

In Michigan much of the timbered area reverted to the state for taxes before a timber tax law based on yield was enacted, and this land has been stripped or burned over, making artificial planting necessary on most of the area. Members of the Tax Commissioner's staff have estimated that 10% of the forest land in West Virginia has already been returned delinquent.

Prospects for the Forest Industry in West Virginia

West Virginia is highly favored for growing hardwood timber in as much as no artificial planting is necessary where sufficient seed trees are left and fire is controlled; the second growth forest has a larger percentage of the more valuable species than originally grew on the area. This is due to their more rapid growth as is shown in the case of yellow poplar, ash, cherry, and basswood. The following table shows the rates of growth in diameter breast high, of the most common commercial trees in this State, as computed in West Virginia and the United States. Forest Service figures taken over the country at large are as given in Bulletin No. 36:

Table XIII—2: Rate of Growth of Timber in West Virginia
(Diameters in Inches)

Variety	50 Years	100 Years
Beech	3.1	8.0
Birch	7.0	17.9
Maple	4.4	11.0
Chestnut	9.1	24.2
Red Oak	8.6	16.1
White Oak	6.1	11.5
Poplar	10.5	21.4
Basswood	9.0	19.3
Cherry	11.0	20.8
Ash	6.8	17.0
Spruce	4.2	9.2
Hemlock	3.9	8.2
United States Forest Service, Country at Large		
Beech	3.8	10.2
Birch	4.5	9.4
Maple	3.8	9.0
Chestnut	13.4	19.8
Red Oak	12.4	20.0
White Oak	8.7	12.2
Poplar	8.7	17.0
Ash	12.1	20.3
Spruce	5.3	9.2
Hemlock	2.9	7.8

These rates of growth may seem small to those who have noted the fast growth in diameter of trees grown in the open, but such trees will not make saw logs, as the limbs extend nearly to the ground. It requires breast-high diameter of 12 inches to make a minimum sized saw log. These figures will, therefore, give some idea of the time required to produce them.

Under our present tax system the land owner is penalized for leaving seed trees on his land. Europeans are raising, under intensive forest management, four times the amount of timber per acre as will grow under natural conditions.

From studies made in mixed hardwood stands in this State, it has been found that only 4,000 feet B. M. of timber per acre can be grown in fifty years, and this on land from which the saw logs only, down to a diameter of 12 inches on the stump, have been cut. These figures were taken from an area of 26,000 acres and this area is typical of the best hardwood stands in the State. On areas containing mostly beech, less than 1,000 feet could be raised while in rare instances single areas of yellow poplar produced as much as 10,000 feet.

Relative Forest Tax Burdens

Under our present system of taxation, the ties, poles, mine props, pulpwood, extract wood, and chemical wood left on the area after the saw logs have been harvested are taxed each year for the fifty years necessary to grow this 4,000 feet of saw logs. This makes the cost of raising hardwood saw logs on this area as follows:

Cost of Raising Hardwoods

Cost of use of land — sum of interest @ 6% upon present assessed value of land — $5 $(1.06^{50}-1)$ — (assuming the land will be worth $5, 50 years in future) — $87.10

Cost of Taxes @ 2½% on $5 = $\frac{.125(1.06^{50}-1)}{.06}$ = 36.29

Cost of protection @ 2c per acre = $\frac{.02\ (1.06^{50}-1)}{.06}$ = 5.81

Total — $ 129.20

With production at 4 M. feet per acre, this = $32.30 per M.

Or assuming, as is stated, a tax of 2½c per acre.

Cost of use of land	$ 87.10
Taxes at 2½c per acre for 50 years	7.26
Fire protection, at 2c per acre	5.81
Total	$ 100.17 = $25.04 per M.

This means a stumpage value of four to six times the present value, and no account has been made of the increased assessment on the timber from time to time during the fifty year period. These figures would vary with the market value of the stumpage at the time of assessment or the whims of the local county officers and can not be definitely determined, thus acting to discourage banks and the investor in timber growing by its uncertainty.

The ideal tax law for forest land should make it possible for the land owner to hold his timber until the trees are of sufficient size to produce first class saw logs, and still provide that the forests bear their just share of the tax burden over a long period.

A 12-inch maple tree 107 years old will cut 58 feet of lumber, and if perfectly sound and free from defect will cut 17% No. 1 common, 24% No. 2 common, and 59% No. 3 common, making a value of $25.50 per thousand feet. If this tree is allowed to grow to a size of 20 inches on the stump, it will cut 450 feet of lumber, and will be 157 years old, thus making 7.8 times as much growth in volume in 50 years as was made in the 107 years necessary to attain 12 inches. It will cut, if sound, 30% No. 1 and 2, 31% No. 1 common, 18% No. 2 common, 21% No. 3 common, making a value of $54.46 per thousand feet, or the average board will be worth nearly twice as much as was cut from the 12 inch tree. These values are based upon perfectly sound logs free from defect, which seldom develop in nature, and makes the actual values obtained much lower, but the percentage of increase in value both in grade and quality would be in the same proportion in defective trees.

Taxation Under Yield Tax

The severance or yield tax, that is a tax on the value of the log when cut, allows the land owner to hold his timber crop till maturity. Under our present general property tax, the timber is taxed as soon as it reaches sufficient size to make cross ties or pulpwood, and, as in the case of maple trees previously discussed, it would be taxed fifty times between its growth of 12 inches and 20 inches. This is like taxing a potato crop fifty times in one year, and makes raising saw logs impossible for the land owner. With a severance or yield tax, this tree would be taxed but once, at the time of harvest, the same as any other agricultural crop, and both the land owner and the state would gain by the increased yield of the forest.

A general property tax based on a fixed valuation for the bare land only over the period of rotation for each crop of timber will

give a steady flow of funds for maintaining public institutions before the maturity of the timber crop and allows a definite figure from which the property owner may calculate his future returns.

Under our present method of taxation, if only the saw logs down to a diameter of 12 inches are removed, the remaining timber large enough for mine props, posts, cross ties, pulp, etc., plus the value of the bare land, is taxed under the general property tax each year. If it takes fifty years to grow four thousand feet of saw logs from such a stand, this timber will be taxed fifty times before it reaches maturity. This timber tax is generally combined on the tax books with the bare land value, and the amount assessed depends upon the local county assessor, who seldom actually covers the ground. It is, therefore, impossible to figure definitely what the future cost of raising trees will be. In Pennsylvania a bare land assessment of $1 per acre is given to land listed as an Auxiliary Forest Reserve. A severance tax of 10% is applied when the timber is cut, and the immature timber has no tax, thus making it possible for the land owner to figure definitely what his future tax will be. With the fire hazard lowered, this makes timber growing an insurable risk which can be handled by the banks.

With such a law the cost of raising 4,000 feet of hardwood in 50 years would be as follows:

Interest at 6% ($1 bare land value)	$ 17.42
Taxes at 2½% compounded at 6%	7.26
Severance tax, 10% (on value of $8.50 per M.)	3.40
Fire protection, 2c per acre	5.81
Total	$ 33.89

This represents a cost of $8.47 per thousand feet, or $3.47 more than the present value.

Existing Forest Taxes in Other States

The most prevalent type of forest tax adopted in recent years is that of taxing the forests only when they are harvested, and taxing the land annually apart from its timber, often at a nominal assessed value.

Fifteen states have adopted some kind of forest yield tax. In Michigan, Minnesota, Oregon, and Wisconsin an annual tax at a flat rate of 5 or 10 cents per acre of forest is levied, to be supplemented by a yield tax of 10% of the value of the timber cut at

maturity in Minnesota and Wisconsin, at 12½% of such value in Oregon, and at 25% of the yield in Michigan. Instead of levying a flat annual tax, which, of course, permits no elasticity, Maine, Kentucky, Iowa, Indiana, Idaho, Pennsylvania, and Vermont assess the land at a low fixed valuation which varies from one dollar to three dollars per acre, and taxes this nominal valuation at the prevailing tax rate. The yield tax at maturity in these states ranges from a variable rate in Maine of a minimum of one-half of one per cent and a maximum of 5%, to 12½% in Idaho. The states of Massachusetts, Mississippi, New York, and Alabama exempt timber growth from consideration in fixing the valuation of forest lands, appraising the land apart from tree growth. Ohio exempts timber from the valuation of forest land and assesses the land itself at one-half the usual land values.

Determination of Rate of Yield Tax

The rate of yield tax in these states varies from 5% to 10%. Of all 15 states imposing a yield tax on forests, only Michigan has a rate of 25% of the yield, two impose 12½%, seven have a rate of 10%, two tax forests at a rate of 6%, one at 5%, and Maine has its flexible rate of from one half of one per cent to 5%.

In determining a fair rate for a yield tax, the facts as to the rate of tax on other property must be taken into consideration. Forests should not be taxed by a method so inconvenient and severe that this type of property is placed at a disadvantage in comparison with other property but neither should its burden be lessened so as to put a larger tax on other property than the forests bear.

Annual Revenues for Forest Communities

There is another question which should be considered in relation to forest taxation on a long term basis, and that is the question of revenue for school, road, or other local purposes in the area in which forest land is situated. A state is large enough in area so that it could operate on revenues derived from various sources while forests were growing. The small community depends more on its one main source of revenue, hitherto the property tax, and if forest areas were exempted from that tax, the revenue of forest communities would be in a precarious condition. Such a locality could not maintain roads and schools without funds until the yield tax brought returns. A small nominal tax on the land each year is

insufficient. Pennsylvania has recognized this difficulty and pays from the state treasury two cents per acre of forest land to each road or school district. Michigan's law provided that a sum of 10 cents per acre of forest be paid by the state to the county each year but this provision was nullified by the omission of an appropriation for the purpose. Wisconsin provided for the same payment to localities and is paying it.

Investigators have pointed out that in certain regions there are scarcely enough taxes paid to maintain schools and roads at the present time, and have suggested that the state buy up the holdings of the families in these districts and move out the residents.[1] It is probable that such a program would be difficult to carry out. It would be more fair, perhaps, for the state to pay the locality a fixed price per acre each year in lieu of any community return on forest land and then reserve to itself the proceeds from all taxes on forest yields.

Safeguards Against Speculation in Forests

Another question which comes up in connection with a forest yield tax is that of the danger of its being taken advantage of by speculators who are interested not so much in reforestation as in seeing that land in their hands is taxed at only a nominal rate until they can sell it. Connecticut has met this by a provision that upon removing land from forest classification a tax of five mills per year be levied on the difference in the value of the property at the end and at the beginning of the period of classification. Indiana, which taxes forests at one dollar per acre and imposes no yield tax, provides for an unearned increment tax equivalent to the difference between the appraised value of the property at the end and beginning of taxation on a forest basis. Most of the states provide that if land is removed from the forest classification before timber is cut and a yield tax collected, the difference between the annual taxes paid out and the property tax which would have been paid had the timber and land been assessed and taxed as other property, shall be paid with interest.

In order to place forest land under the yield tax, it is necessary to petition for classification as forest land in most yield tax states. It is optional with the owner to have his forest land taxed on a yield tax basis instead of the property tax basis in Connecticut, Idaho,

[1]Peck and Eke, *Southern Mountain Life and Work*, June, 1929. The experience of Ontario in the "Laurentian Shield" region might be considered in this connection.

Louisiana, Maine, Michigan, Minnesota, Pennsylvania, Vermont, and Wisconsin. California and Oregon make the yield tax universal in application on all cutover and planted forests. Oregon's forestry board determines what areas are forest areas. The Connecticut law gives the state forester wide powers in deciding to what property the forest law is applicable. Other states demand more involved practices in petitioning for classification of property as forest land. It is desirable to provide sufficient safeguards in the matter of classification so that improper tracts are not classified as forests, but the procedure should not be so complicated or difficult that few owners will list their lands. Approval of petitions for forest classification by the Game, Fish and Forestry Commissioner might be required in West Virginia, with final action by the State Tax Commissioner.

Since one of the chief objects of a forestry yield tax is to accommodate the payment of taxes to the ability of the forest owner, it is fitting to consider the relative burdens of a forest owner under the present general property tax and under a yield tax of the type described.

Summary

A forest tax based on a nominal land valuation taxed at the ordinary rate annually is probably preferable to a flat annual rate per acre of forest because of its slightly greater flexibility and the greater likelihood of a more vigilant scrutiny of expenditures in forest communities by the people who are paying at least a part of them. A yield tax at 10% seems justified by experience and, while mathematical considerations might warrant a higher yield tax if the ratio of net to gross forest income could be ascertained, further research on this question would be necessary before a rate as high as the Michigan yield tax rate should be attempted. The state should pay to the local communities an annual stipend roughly equivalent to the difference between the nominal annual levy on forest land and the amount which would be received by the community if the yield tax could be apportioned over a long period of years and the localities' proportion paid annually. The county, municipality, and school district should get such proportions of this payment as their tax rates bear to one another, but such proportions, too, had better be determined than left to the future when there might be some incentive to a school district to raise its rate in order to get more of the state's payment than the other districts

were getting, relatively. In order to avoid undue pressure by tax spenders in determining expenditures in certain districts, a fixed flat payment of 10 cents per acre, such as Wisconsin is paying to local districts, is preferable to an undetermined annual payment which might be raised to the point of extravagance when the greater part of the land in a district is forest land. With such a tax, West Virginia's preeminence in timber production should be maintained and the spectacle of an unduly pampered industry would be avoided.[1]

Of course, the withdrawal of any forest lands from the usual rates of the general property tax, whether a yield tax is substituted or not, would involve a constitutional amendment, and would therefore require a referendum. This should be submitted at a time and in a manner such as not to interfere with much more important matters, such as the reform of the assessment of property in the State.

[1]The Oregon (or California) type of forest tax law is well worth consideration. For brief summaries, see Appendix to this chapter. (Table XIII—4.)

Appendix to Chapter XIII

TABLE XIII—3: A CLASSIFICATION OF FOREST TAX LAWS

Forest Taxation Inquiry, U. S. Forest Service—Dec. 31, 1929

Exemption or Bounty Laws		Yield Tax Laws				
		Optional				Universal
		Land tax specific, or assessed value of land limited, specifically, or by agreement		Land value subject to general property tax without limitation		Land tax specific
Planted forests, woodlots, or small areas	Not Limited by area or origin of stand	Contract	Non-contract	Contract	Non-contract	Contract
Colorado *a*	California *a*	Idaho	Connecticut	Alabama	Massachusetts	Oregon *a*
Illinois	Conn.(new)	Louisiana	Maine		Mississippi	
Iowa *a*	Indiana	Minnesota	Michigan (woodlot)		New York *b*	
Maine	Iowa	Wisconsin	Michigan (commercial)		Ohio	
Minnesota			Pennsylvania			
New Hampshire (rebate)			Vermont			
New Hampshire (exemption)						
North Dakota						
Rhode Island						
South Dakota						
Vermont						
Wyoming						

a—California, Colorado, Iowa, and Oregon are the only states in which all qualified property automatically comes under the special method of forest taxation without application by the owner.

b—The New York law is applicable only to forest land planted or underplanted after January 1, 1921.

Note: Each distinct law appears in the table once only, under the name of its state.

TABLE XIII—4: REVISED COMPARATIVE TABLE—SELECTED PROVISIONS OF THE STATE FOREST LAWS, JAN. 1, 1930

Forest Taxation Inquiry—United States Forest Service

State	Classes of Property Subject to Classification Following Owner's Applications	Modification of Tax System		Control of Cutting and Management by State Authority	Declassification Tax (in addition to Being Again Taxed as Other Property)	Contract, Grasing, and Miscellaneous Provisions
		Property Tax	Yield Tax			
	(1)	(2)	(3)	(4)	(5)	(6)
Alabama	Land suited for forest culture; use must not be incompatible with forestry	Forest trees exempt	10% on timber cut; revenue ½ to state, ½ to county	Timber may be cut, turpentined, or otherwise utilized only in accordance with the rules of the forestry commission	Declassification tax, at the termination of the contract or its violation, equivalent to the yield tax on the standing timber	Contract, for not less than 5 years
California*a*	All land with immature forest trees or lands from which 70% of all trees over 16" have been cut	Immature forest trees and stands from which 70% of all trees over 16" have been cut are exempt. Property tax at maturity, after 40 or more years	..	Maturity determined by assessor and state boards of forestry and equalization	..	Prescribed by constitutional amendment; universal
Colorado*a*	All land with planted timber trees	Increase in value due to timber exempt until trees are suitable for economic use, not to exceed 30 years	..	..	..	Universal
Connecticut (Yield tax)	Woodland or land suitable for forest planting, of 5 acres or more, valued at not more than $25 per acre, and fully stocked; planted trees approved by the state forester	Land and forest trees of over 10 years taxed on fixed assessment for 50 year periods. Rate during first 100 years not to exceed 10 mills; trees under 10 years exempt	2% after 10 years to 7% after 50 years on trees over 10 years old at classification; rate on other trees 10%; timber cut for owner's use exempt	..	5 mills per year levied on difference in value of property at the end and at the beginning of classification; no provision for voluntary withdrawal	No grasing; inspection of property as deemed necessary by forester
Connecticut (Exemption)	Property of such character that it would be advantageous to community and to owner to permit the trees to remain standing until suitable to be cut; decision rests with state forester	Property assessed at same value as prior to classification until next general revaluation (within 10 years) when the trees are exempt from further taxation	..	..	No declassification tax imposed	..

TABLE XIII—4: (Continued)

State	Classes of Property Subject to Classification following Owner's Application"	Modification of Tax System		Control of Cutting and Management by State Authority	Declassification Tax (in Addition to Being Again Taxed as Other Property)	Contract, Grazing, and Miscellaneous Provisions
		Property Tax	Yield Tax			
	(1)	(2)	(3)	(4)	(5)	(6)
Idaho (Yield tax)	Cut-over or burned over land chiefly valuable for the purpose of reforestation. Land now with commercial timber eligible after timber has been cut according to state regulations	"Reforestation value" of land above $1 per acre is not assessed; growing forest trees are exempt. Value for other purposes than forestry assessed as other property	12½% on material cut, except on that for domestic use of owner or for use in harvesting crop; the revenue goes into county general fund	Managed in compliance with reasonable regulations imposed from time to time	Difference between the taxes that would have been paid if not classified and those paid since classification. When contract terminates, tax is equivalent to the yield tax on all merchantable timber then standing. In case of intent to escape taxes, all taxes are due that would have been paid if not classified with interest at 10%	Law is declared a contract for 50 years subject to renewal
Illinois	Land of one or more acres planted with forest trees and "properly cultivated" for 3 years	Same as other property	..	..	..	County board may offer a bounty of $10 or less per acre per year for 3 years
Indiana	Land of not less than 3 acres without buildings other than those necessary to utilize the timber, fully stocked with species of timber trees as specified	Assessed for general taxation purposes at $1 per acre	..	Owner must make an annual written report to the state forester	"An unearned increment tax," being difference between appraised value of property at end and beginning of period of classification	No grasing; inspection of property by forester ay any time
Iowa (Limited assessment)	Land of not less then 2 acres, containing not less then 200 forest trees per acre of specified species	Property assessed at $1 per acre	..	Not more than 1/5 of the total number of trees can be removed in one year	..	No grasing
Iowaa (Exemption)	Land not classified as above, planted to trees for any use	No increase in the valuation of the property becauseti of planted trees	..	..	..	..

Kentuckyn	Land of not less then 1,000 acres capable of producing a thrifty forest growth within reasonable time, the surface not used for other purposes	Soil and forest trees assessed at not more than $2.50 per acre. The tax thereon goes into a state forest reserve fund and the county deducts this amount from its state levy	10% on all merchantable forest products cut; revenue ½ to state, ½ to county	Permitted to cut only if not contrary to good forestry practice; state forester authorized to make rules to accomplish the purposes of the law; no exclusive hunting or fishing	Difference between taxes paid and that which would have been paid with interest at 4% plus a fee of 25c per acre; apparently no declassification tax imposed if declassified by state.	..
Louisiana	"Forest land" denuded of timber but suitable for forest growing, valued at from $3 to $8 per acre upon which the owner agrees to grow suitable and useful timber trees	Property assessed at a fixed valuation for a period not to exceed 40 years. Products cut from land which was placed under contract after passage of Act 120 of 1926 exempt from all but yield tax	6% on the severed value of forest products from property classified after Act 120 of 1926; revenue ¼ to state, ¾ to parish	Rules are laid down in the contract by the commissioner of conservation	Declassification taxes at the termination of the contract or its violation are as delinquent taxes, with 6% interest, on increment of value exempt by classification	Contract, for not over 40 years. Holders of contracts under earlier laws can come under Act 120 of 1926
Maine (Yield tax)	Land covered or to be planted with trees "for use as fuel, manufacture, or sale"	Land assessed at not over $2 per acre. Trees are exempt	½ of 1% to a maximum of 5% after 10 years; trees cut for domestic use exempt	..	"The payment of the tax on the full value of trees thereon"	Classifying over 10% of the town in one year can be prevented
Maine (Exemption	Land cleared of forests; cultivated for 3 years; stocked with 640 or more trees per acre; and used for forestry	Property exempt from the property tax for a period of 20 years	..	..	..	..
Massachusetts	Property when classified valued at not more than $25 per acre and including not over 20 cords per acre, but so stocked with trees as to promise a specified minimum stand per acre	Forest trees exempt; such tree values excluded from the town valuationfor the purpose of the apportioning of state and county taxes	6%on wood and timber cut; stumpage cut for owner's use exempt up to $25 in any one year; revenue 10% to state	The stand must not exceed for longer than 2 years a maximum of 25 M feet of softwoods or 10 M feet of hardwoods per acre	Equivalent to the yield tax on all the timber when standing on the property	..
Michigan (Woodlot)	Land not to exceed ¼ of the area of a tract of not over 160 acres, ½ of which is being farmed, planted, or interplanted with specified species and stocking	Property value in excess of $1 per acre exempt	5% on all timber removed; firewood and building material for the owner's use exempt	The forest must be kept fully stocked and restocked after cutting to conform with regulations of the state college	Equivalent to the yield tax on all the timber when standing on the property	Regulated grazing allowed after 90% of the trees are 2" in diameter
Michigan (Commercial)	Land adequately stocked with immature forest trees and capable of supporting a thrifty forest stand, and not more valuable for other purposes	Property exempt; pays instead an annual specific tax of 10c per acre; revenue ¼ to county, 3/16 to the town, and 9/16 to school district; state pays county 10c per year for each acre classified	5% on all forest products cut; revenue ½ to state, ½ to county	Permission necessary to cut merchantable forest products; no exclusive hunting and fishing privileges	If classified less then 16 years 5c per acre per year, from 16 to 25 years, 15c per acre per year, and over 25 years, 30c on the stumpage value; apparently no tax if declassified by state	..

TABLE XIII—4: (Continued)

State	Classes of Property Subject to Classification following Owner's Application"	Modification of Tax System		Control of Cutting and Management by State Authority	Declassification Tax (in Addition to Being Again Taxed as Other Property)	Contract, Grazing, and Miscellaneous Provisions
		Property Tax	Yield Tax			
	(1)	(2)	(3)	(4)	(5)	(6)
Minnesota (Yield tax)	Land of not less than 160 acres, suitable or and devoted to forestry, the surface of which has a full value of from $3 to $10 per acre; farm woodlots may be of from 20 to 40 acres and unlimited value	Unmerchantable timber at classification exempt. A specific annual tax of 5c per acre, and a special annual tax of 3c per acre for protection	10% on all timber cut, except merchantable timber on property at date of classification and timber cut for owner's use	Cutting is permitted only with the permission and under the regulations of the commissioner of forestry; the property must be managed under a definitely prescribed plan of culture executed, if necessary, by state at owner's expense	The difference between the taxes that would have been paid if not classified and those paid since classification with interest at 6% on both sides. When contract terminates tax is equivalent to the yield tax on all merchantable timber then standing	Contract, for which the law is declared to be a part. The contract may not exceed 50 years but may be renewed for 50 years by agreement
Minnesota (Bounty)	Land of one or more acres not owned by a railroad, planted with a specified number of trees other than black locust	Same as other property	..	..	..	State pays a bounty of $2.50 per acre for 6 years; not to exceed $25 per year
Mississippi	Land with less than 2 M feet per acre either (1) wild, unproductive land to be used for growing trees and not more profitable for other users, or (2) part of farms needed for growing trees to be used on the farm	Forest trees exempt for 10 years; the land assessed as wild, unimproved, and unproductive land; county may levy special tax on classified property to protect it against fire, etc.	1% on timber cut for manufacturing purposes; timber for owner's use exempt according to attorney general	The forest must be protected and preserved according to rules of the county board of supervisors	No declassification tax; no provision for voluntary withdrawal	Fire wardens inspect property as required
New Hampshire (Exemption)	Forest land of not over 100 acres per owner in a town and with trees valued at not to exceed $25 per acre, but stocked so as to promise a minimum future yield of 25 M feet per acre	Standing forest trees exempt; only the land value of classified land is included in the town valuation for apportioning state and county taxes	No yield tax; timber taxed in year when cut at the same valuation as other property; $50 stumpage per year for owner's use exempt	When in the judgment of the assessors the land contains 25 M board feet of timber the owner must reduce the volume	In case of withdrawal by owner the land tax and a tax on value of the standing timber at the same rate as other property for that year is imposed; no provision for withdrawal by the state	..
New Hampshire (Rebate)	Land not classified as above, valued at not more than $25 per acre, planted with a specified number of softwoods	A rebate of 90% of the taxes during 1st 10 years, 50% during 2d 10 years, and 50% during 3d 10 years	..	..	..	Owner must apply to assessor for rebate annually

New York	"Forest land" of 5 acres or more best adapted to tree growth, planted or under planted after January 1, 1921. with a specified number of suitable forest species	Forest trees exempt and the land not assessed higher than similar lands without forest growth in the same district	6% on timber cut except thinnings and that cut for owner's use not to exceed $25 in value per year; revenue 2/3 to town, 1/3 to school district	When the stand exceeds 40 M feet of softwood or 20 M feet of hardwood it must be cut and thereafter managed according to forestry principles	6% tax on the estimated value of the timber on the property at the time of declassification	..
North Dakota	A property of 80 acres or more upon which 1 to 10 acres of prairie land are planted to forest trees; at least 400 living trees per acre in a thrifty condition	Same as other property	..	..	..	Entitled to bounty of $3 per acre planted, not to exceed tax on the quarter section
Ohio	Land of 3 acres or more to be devoted exclusively to forestry and fully stocked with approved species of any size or origin	Forest trees exempt; that part of the assessed value of the property represented by the "true and actual agricultural value" taxed at ⅓ the usual rate	5% on gross stumpage value of mature timber cut except when used by the owner; revenue ½ to county, ½ to state for forestry use	The forest must be cared for and managed according to the regulations of the state forester	If the property has been classified less than 25 years it pays full back taxes for the last 10 years, with interest, less the taxes actually paid	..
Oregone	All land in the state classified by board of forestry on its own initiative and accepted by the tax commission as chiefly suitable for forestry which does not contain any mature forest crops in merchantable quantities; land assessed on the 1928 tax roll as with mature forest growth cannot be classified without the permission of the county board until it is cut	Land exempt, instead it pays an annual "forest fee" of 5c per acre; buildings, improvements, water and power rights, mineral, and values other than forest values taxed under the general property tax	12-½% on all timber, forage, chittam bark, Christmas trees or "other marketable growth from the forest soil"	Permitted to cut by forestry board only after assurance that yield tax will be paid	Declassification because of "improper use" imposes a delinquent property tax of the difference between the amount paid by comparable property not classified and that actually paid by the classified property	Forestry board may enter into a contract after July 1, 1933, with owners of land chiefly valuable for forest crops, classifying such land for a period not to exceed the number of years estimated as necessary to mature the forest crop
Pennsylvania	Surface land set apart for growing trees which will eventually be suitable for merchantable products	Land and forest trees valued at $1 per acre for determining tax; state pays road and school district each 2c per year for each acre	10% on the stumpage value of all timber cut	Forest must be managed and cut when and as prescribed by the state	Form of a delinquent property tax on the original assessment less taxes actually paid since classification, provided no previ- out yield tax has been paid	..
Rhode Island	Land of 1 to 300 acres worth not more than $25 per acre, planted to 500 or more specified trees per acre	Land and trees exempt for 15 years	..	Forest must be managed under a working plan approved by the commissioner of forestry	..	..

TABLE XIII—4: (Continued)

State	Classes of Property Subject to Classification following Owner's Applications	Modification of Tax System		Control of Cutting and Management by State Authority	Declassification Tax (in Addition to Being Again Taxed as Other Property)	Contract, Grazing, and Miscellaneous Provisions
		Property Tax	Yield Tax			
	(1)	(2)	(3)	(4)	(5)	(6)
South Dakota	Land of from 1 to 10 acres planted to trees of species, number, and arrangement as specified	Same as other property	..	..	..	Bounty of $5 per acre per year for 10 years
Vermont (Yield tax)	Land outside of cities and villages either (1) "young timber land" fully stocked with trees not over 15 years old secured by approved planting if necessary and (2) "wild forest land" of 5 acres or more unsuited for cultivation but suited to forest trees and stocked wholly or in part by trees over 15 years old	Trees not more than 15 years old at classification exempt; the land thereunder given a fixed value for 50 years at not to exceed $3 per acre. Timber over 15 years and the land thereunder are valued until 1950 at the last assessed value, then reassessed for another 50 years	10% on all products cut from "young timber land," and 1/10 of 1% per year classified to a maximum of 7% on the cut from "wild forest land"; timber for domestic use exempt	In the case of "young timber lands" the trees must not be removed or the land used in a way detrimental to the forest. "Wild forest land" must be maintained as a woodlot and cut when mature	In case of withdrawal by state "young timber land" pays at the rate of ½ of 1% for each year classified on all timber standing. If "wild forest land" is not cut when mature tax is equal to yield tax; no provision for voluntary withdrawal	No grazing on "young timber lands." Assessor has administrative authority over "wild forest land," state forester over "young timber land"
Vermont (Exemption)	Land with immature timber grown from transplanted seedings	Immature timber exempt for 30 years from date of transplanting	..	..	..	Owner must file application in year of planting
Wisconsin (Yield tax)	Properties permanently destined for timber growing, and if not including a merchantable stand of timber, giving assurance of such a stand within reasonable time; farm woodlots eligible regardless of size; other properties must comprise 40 acres, although smaller tracts are eligible when contiguous to larger ones already classified	Land and trees exempt from general property tax; an annual specific tax of 10c per acre imposed instead on all owners except if county owns property; state pays town 10c per year for each acre classified; 50% of moneys received by town apportioned to the school districts in which land is located	10% on all wood products cut, except fuel wood used by the owner; revenue goes to state	Open to public hunting and fishing except on farm woodlots	(1) If the property is used for other purposes 5 or more years after classification or in case of withdrawal by the owner the tax is the difference between taxes that would have been paid less those paid, with simple 5% interest on both sides; (2) in case of other use or improper culture within 5 years of classification the tax is equal to amount paid by state to town; (3) expiration of contract imposes tax equivalent to yield tax on all timber standing	Contract for 50 years subject to renewal; investigation of property every 5 years by conservation commission; grazing permitted on woodlots
Wyoming	Land of 1 acre or more planted with forest trees and "properly cultivated" for 5 years	Same as other property	..	..	..	County may pay bounty up to $10 per acre for 5 years

a—California, Colorado, Iowa, and Oregon are the only states in which all qualified property automatically comes under the special method of forest taxation without application thereby by the owner. *b*—Held unconstitutional by the Attorney General. *c*—Applies to all "reforestation land" in state as classified by the forestry board.

GENERAL APPENDIX

TABLE XIV—1: COMPARATIVE ASSESSMENTS, WEST VIRGINIA, 1929 AND 1930

A statement showing the final figures of the assessed valuation of real estate, personal property and public utility property for the year 1929 and the *advance figures for the year 1930*, with increases and decreases in each class, and the grand totals.

REAL ESTATE

Assessed Valuation 1929	1930		
$1,160,018,901	$1,108,049,287	Net Decrease, $51,969,614	4.48%

Nine counties show increases amounting to $8,205,424.
Forty-six counties show decreases amounting to $60,175,038.

Largest increases were in Brooke County, $3,481,550; Kanawha County, $2,455,610.

Largest decreases were in Ohio County, $22,190,855; Marshall County, $4,147,490; Monongalia County, $6,562,010; Wetzel County, $3,415,515.

PERSONAL PROPERTY

Assessed Valuation 1929	1930		
$ 364,240,938	$ 335,551,136	Net Decrease, $28,689,802	7.88%

Seven counties show increases amounting to $695,183.
Forty-eight counties show decreases amounting to $29,384,985.

Largest increases were in Webster County, $325,170; Hancock County, $250,900.

Largest decreases were in Marion County, $3,706,487; Cabell County, $3,210,326; Monongalia County, $2,736,505.

PUBLIC UTILITY PROPERTY

Assessed Valuation 1929	1930		
$ 509,732,950	$ 564,459,362	Net Increase, $54,726,412	10.74%

Fifty-three counties show increases amounting to $54,806,514.

Two counties show decreases: Pleasants County, $31,141; Preston County, $48,961.

Largest increases were in Kanawha County, $9,202,813; Cabell County, $4,505,012; Fayette County, $3,823,219; Mingo County, $3,573,259; McDowell County, $3,165,702.

Grand Totals

Assessed Valuation 1929	1930		
$2,033,992,789	$2,008,059,785	Net Decrease, $25,933.004	1.27%

Twenty-seven counties show increases amounting to $34,695,224.
Twenty-eight counties show decreases amounting to $60,628,228.

Largest increases were in	Kanawha County	$10,105,723	4.85%
	Brooke County	4,449,583	12.59%
	Fayette County	3,917,774	7.35%
Largest decreases were in	Ohio County	$23,275,536	17.42%
	Monongalia County	8,086,196	8.62%
	Marion County	5,659,282	5.35%
	Marshall County	4,905,088	8.76%
	Wetzel County	3,106,016	9.27%
	Harrison County	3,057,530	2.48%

TABLE XIV—2: TOTAL ASSESSED VALUATION OF REAL ESTATE, PERSONAL PROPERTY AND PUBLIC UTILITY PROPERTY, WITH GRAND TOTAL IN STATE FOR THE YEARS 1867 TO 1930

Year	Real Estate	Personal Property	Pub. Util'y. Property	Grand Total
1867	$ 86,894,702	$ 32,597,938	$ 6,568,103	$ 126,060,743
1868	97,043,105	33,833,159	7,075,991	137,952,255
1869	96,184,488	36,363,577	5,962,000	138,510,065
1870	95,388,047	38,032,395	7,362,844	140,783,286
1871	95,320,898	40,624,961	7,490,844	143,436,703
1872	95,873,359	39,773,663	7,623,392	143,270,414
1873a	99,486,189	39,895,240	7,464,093	146,845,522
1874	99,688,203	41,102,588	7,614,628	148,305,419
1875	111,864,323	38,606,277	6,648,044	157,118,644
1876	106,899,599	37,477,033	7,600,599	151,977,231
1877	107,352,719	37,753,869	6,575,120	151,681,708
1878	105,011,848	36,434,152	5,575,912	147,021,912
1879	105,979,311	33,895,777	7,391,032	147,266,120
1880	105,000,358	34,622,399	7,368,983	146,991,740
1881	105,929,521	37,562,854	7,987,053	151,479,428
1882	106,958,437	39,637,735	8,458,904	155,055,076
1883a	118,826,374	44,669,962	10,813,398	174,309,734
1884	118,951,675	46,167,253	11,677,826	176,796,754
1885	119,982,350	46,707,755	13,268,229	179,958,334
1886	116,746,529	42,758,475	14,488,758	173,993,762
1887	118,181,936	48,978,803	15,185,650	182,346,389
1888	119,414,434	44,469,225	15,501,670	179,385,329
1889	119,879,407	46,115,366	17,386,726.75	183,381,499.75
1890	121,202,365	48,725,222	17,237,766.61	187,165,353.61
1891	124,270,542	51,743,193	17,519,723	193,533,458
1892a	147,685,972	51,707,095	18,465,346.64	217,858,413.64
1893	145,947,024	54,244,169	22,026,961.37	222,218,154.37
1894	145,737,960	51,502,003	22,767,554	220,007,517
1895	147,673,069	53,905,180	22,447,495.40	224,025,744.40
1896	141,925,633	51,307,197	22,437,102.30	215,669,932.30
1897	148,133,254	48,060,785	22,323,066.72	218,517,105.72
1898	147,065,218	53,101,906	22,028,362	222,195,486
1899	149,898,172	56,158,736	22,352,318	228,409,226
1900a	158,563,206	59,773,064	22,976,974	241,313,244
1901	158,433,343	66,727,740	23,588,609	248,749,692
1902	147,784,852	65,983,459	25,707,837	239,476,148
1903	164,535,169	77,649,223	27,459,907.60	269,644,299.60
1904	168,480,150	80,306,209	30,043,300	278,829,659
1905	169,026,710	126,281,620	36,052,845	331,361,175
1906	475,174,841	193,573,192	209,093,726	877,841,759
1907	489,274,675	199,264,834	242,696,766	913,236,275
1908	490,715,670	204,166,662	251,354,364	946,236,696
1909	578,883,366	223,438,900	261,386,208	1,063,708,474
1910	601,187,043	235,795,169	282,845,961	1,119,828,173
1911	619,156,816	238,325,680	290,523,540	1,148,006,036
1912	633,747,633	239,236,606	295,028,419	1,168,012,658
1913	668,477,503	262,637,372	312,200,668	1,243,315,543
1914	683,119,300	281,623,615	317,695,663	1,282,438,578
1915	691,445,971	274,157,288	320,966,265	1,286,569,524
1916	696,729,871	278,798,294	323,022,687	1,298,550,852
1917	723,778,583	316,055,426	336,305,819	1,376,139,828
1918	745,595,517	358,142,114	345,714,123	1,449,451,754
1919	769,648,033	371,602,428	349,522,671	1,490,773,132
1920	801,235,500	424,292,082	354,066,817	1,579,594,399
1921	879,083,110	449,199,758	367,785,493	1,696,068,361
1922	1,207,653,069	439,902,143	445,001,757	2,092,556,969
1923	1,224,559,949	432,401,381	452,851,856	2,109,813,186
1924	1,236,516,283	430,789,236	455,614,327	2,122,919,846
1925	1,246,484,692	425,978,972	461,027,476	2,133,491,140
1926	1,248,942,643	410,720,133	470,593,175	2,130,255,951
1927	1,225,178,580	387,198,230	483,054,187	2,095,430,997
1928	1,198,416,206	364,769,462	512,568,602	2,075,746,270
1929	1,160,018,901	364,240,938	509,732,950	2,033,992,789
1930b	1,108,049,287	335,551,136	564,459,362	2,008,059,785

a—Re-assessment years.
b—Advance figures.

TABLE XIV—3: A TABLE SHOWING THE FINAL FIGURES OF THE ASSESSED VALUATION OF REAL ESTATE AND PERSONAL PROPERTY IN WEST VIRGINIA FOR THE YEAR 1929 AND THE ADVANCE FIGURES FOR THE YEAR 1930 WITH INCREASE AND DECREASE AND PERCENTAGE OF SAME

COUNTIES	REAL ESTATE					PERSONAL PROPERTY				
	1929	1930	Increase	Decrease	Per Cent	1929	1930	Increase	Decrease	Per Cent
Barbour	$ 11,153,065	$ 10,026,650	$ ..	$ 1,126,415	10.1	$ 2,620,216	$ 2,345,942	$ ..	$ 274,274	10.47
Berkeley	16,497,450	16,713,195	215,745	..	1.31	6,755,950	6,698,708	..	57,242	.85
Boone	14,747,055	14,279,704	..	467,351	3.17	6,603,991	6,440,424	..	253,567	3.79
Braxton	8,329,673	8,057,609	..	272,064	3.27	3,074,880	2,891,352	..	156,528	5.09
Brooke	23,335,450	26,817,000	3,481,550	..	14.92	5,443,043	5,197,280	..	245,163	4.5
Cabell	83,495,730	82,944,375	..	551,355	.66	24,195,044	20,984,218	..	3,210,826	13.27
Calhoun	3,332,470	3,378,700	46,230	..	1.39	2,656,510	2,615,510	..	41,000	1.54
Clay	5,568,975	5,421,145	..	147,830	2.65	4,164,638	4,209,615	44,977	..	1.08
Doddridge	8,003,150	7,028,635	..	974,515	12.18	3,776,845	3,756,045	..	20,800	.55
Fayette	24,080,495	24,674,345	593,860	..	2.47	8,505,150	8,005,845	..	499,305	5.87
Gilmer	6,807,940	6,524,450	..	283,490	4.16	2,864,550	2,719,980	..	144,570	5.5
Grant	4,134,800	3,999,850	..	134,950	3.26	1,996,500	1,900,568	..	95,932	8.75
Greenbrier	16,575,280	16,566,445	..	8,835	0.5	5,239,300	4,970,570	..	268,730	5.13
Hampshire	4,052,245	4,096,870	44,625	..	1.1	2,224,540	2,196,440	..	28,100	1.26
Hancock	17,844,530	18,420,570	576,040	..	3.23	4,108,790	4,359,690	250,900	..	6.11
Hardy	3,283,090	3,236,060	..	47,030	1.43	2,310,410	1,905,100	..	405,310	17.54
Harrison	75,380,470	74,061,420	..	1,319,050	1.75	21,857,560	19,982,850	..	1,874,710	8.58
Jackson	7,299,020	6,620,420	..	678,600	9.3	2,010,031	2,046,572	36,541	..	1.82
Jefferson	11,243,953	11,177,215	..	66,738	.59	4,886,475	4,651,740	..	234,735	4.8
Kanawha	130,167,870	132,623,480	2,455,610	..	1.89	27,852,500	26,299,800	..	1,552,700	5.57
Lewis	17,010,970	15,963,080	..	1,047,890	6.16	6,366,380	5,964,160	..	402,220	6.32
Lincoln	7,155,505	6,977,895	..	177,610	2.41	3,505,170	3,524,505	16,335	..	.47
Logan	25,270,160	22,880,165	..	2,389,995	9.46	8,380,175	6,684,645	..	1,695,530	20.23
Marion	65,567,104	63,541,817	..	2,025,287	3.09	18,386,019	14,679,532	..	3,706,487	20.16
Marshall	31,244,010	27,096,520	..	4,147,490	13.27	9,910,490	9,044,350	..	866,140	8.74
Mason	9,121,520	9,092,510	..	29,010	.32	2,550,755	2,454,425	..	96,330	3.78
Mercer	30,595,210	30,005,930	..	589,280	1.93	10,861,517	9,716,890	..	1,144,627	10.54
Mineral	10,670,990	10,634,330	..	36,660	.34	3,445,550	3,230,810	..	214,740	6.23
Mingo	14,509,905	13,882,225	..	627,680	4.33	5,148,215	4,741,868	..	406,347	7.89
Monongalia	60,978,390	54,416,380	..	6,562,010	10.76	15,742,100	13,005,595	..	2,736,505	17.38

Monroe	7,163,165	7,055,735	..	107,430	1.5	1,855,255	1,860,975	5,720	..	.31
Morgan	3,851,902	3,898,136	46,234	..	1.2	1,528,226	1,472,407	..	55,819	3.65
McDowell	47,017,055	45,061,037	..	1,956,018	4.16	11,402,855	11,374,350	..	28,475	.25
Nicholas	12,517,820	12,492,085	..	25,735	.21	3,873,650	3,619,685	..	253,965	6.56
Ohio	91,487,805	69,296,950	..	22,190,855	24.26	28,335,955	26,302,625	..	2,083,330	7.34
Pendleton	4,089,625	4,060,590	..	29,035	.71	1,649,035	1,646,360	..	2,675	.16
Pleasants	3,588,170	3,558,465	..	29,705	.83	2,514,105	2,408,510	..	105,595	4.2
Pocahontas	8,371,610	7,818,070	..	553,540	6.61	3,882,850	3,328,800	..	554,050	14.27
Preston	15,639,530	14,723,960	..	915,570	5.85	5,400,400	4,759,330	..	641,070	11.87
Putnam	6,865,620	6,683,270	..	182,350	2.66	2,570,510	2,402,755	..	167,755	6.53
Raleigh	30,976,144	30,436,354	..	539,790	1.74	7,592,615	7,367,110	..	225,505	2.97
Randolph	12,416,980	12,296,290	..	120,690	.97	4,988,260	4,525,765	..	462,495	9.27
Ritchie	10,102,170	10,084,390	..	17,780	.18	6,212,360	5,904,390	..	370,970	4.96
Roane	9,679,370	9,109,880	..	569,490	5.88	7,076,015	6,182,620	..	893,395	12.63
Summers	7,485,470	7,479,670	..	5,800	.08	1,899,923	1,881,988	..	17,935	.94
Taylor	12,370,240	12,168,720	..	201,520	1.63	4,232,720	3,738,510	..	494,210	11.68
Tucker	6,318,980	6,083,630	..	235,350	3.72	1,704,690	1,628,670	..	76,020	4.46
Tyler	6,515,160	6,465,075	..	50,085	.77	4,874,335	4,483,817	..	390,518	8.01
Upshur	12,338,225	10,129,145	..	2,209,080	17.9	2,987,980	2,712,100	..	275,880	9.23
Wayne	13,935,865	12,832,060	..	1,003,805	7.26	2,679,575	2,695,115	15,540	..	.58
Webster	7,653,455	6,947,315	..	706,140	9.23	2,243,420	2,568,590	325,170	..	14.49
Wetzel	11,953,370	8,537,855	..	3,415,515	28.57	6,296,440	6,102,480	..	193,960	3.08
Wirt	3,706,035	3,686,885	..	19,150	.52	1,649,675	1,469,305	..	179,370	10.88
Wood	48,109,140	48,854,670	745,530	..	1.55	17,172,070	16,427,770	..	744,300	4.33
Wyoming	18,509,530	17,130,060	..	1,379,470	7.45	2,032,755	1,434,480	..	598,275	29.43
Total	$1,160,018,901	$1,108,049,287	$ 8,205,424	$ 60,175,038	..	$364,240,938	$335,551,136	$ 695,183	$ 29,384,985	..

Net Decrease—$51,969,614—4.48%

Net Decrease—$28,689,802—7.88%.

TABLE XIV.—3:—(Continued)—A TABLE SHOWING THE FINAL FIGURES OF THE ASSESSED VALUATION OF PUBLIC UTILITY AND TOTAL ALL PROPERTY IN WEST VIRGINIA FOR THE YEAR 1929 AND THE ADVANCE FIGURES FOR THE YEAR 1930 TOGETHER WITH INCREASE AND DECREASE AND PERCENTAGE OF SAME

COUNTIES	PUBLIC UTILITIY PROPERTY					TOTAL ALL PROPERTY				
	1929	1930	Increase	Decrease	Per Cent	1929	1930	Increase	Decrease	Per Cent
Barbour	$ 4,206,992	$ 4,237,230	$ 30,238	$ ..	.72	$ 17,980,273	$ 16,609,822	$ ..	$ 1,370,451	7.62
Berkeley	6,878,393	7,032,961	154,568	..	2.25	30,121,793	30,444,864	313,071	..	1.04
Boone	6,452,259	8,120,962	1,668,703	..	25.86	27,893,305	28,841,090	947,785	..	3.4
Braxton	4,849,183	5,540,133	690,950	..	14.25	16,253,736	16,516,094	262,358	..	1.61
Brooke	6,558,016	7,771,212	1,213,196	..	21.83	35,336,509	39,786,092	4,449,583	..	12.59
Cabell	19,400,565	23,905,577	4,505,012	..	23.22	127,091,339	127,834,170	742,831	..	.58
Calhoun	3,625,024	3,854,805	229,781	..	6.17	9,614,004	9,849,015	235,011	..	2.44
Clay	3,355,596	3,673,650	318,054	..	9.48	13,089,209	13,304,410	215,201	..	1.64
Doddridge	10,255,534	10,305,126	49,592	..	.43	22,035,529	21,089,806	..	945,723	4.29
Fayette	20,697,148	24,520,367	3,823,219	..	18.47	53,282,783	57,200,557	3,917,774	..	7.35
Gilmer	4,831,020	5,218,129	387,109	..	8.01	14,503,510	14,462,559	..	40,951	.28
Grant	631,923	878,803	246,880	..	39.07	6,763,223	6,779,221	15,998	..	.24
Greenbrier	7,845,092	9,731,445	1,886,353	..	24.05	29,659,672	31,268,460	1,608,788	..	5.42
Hampshire	3,461,935	3,798,423	336,488	..	9.72	9,738,720	10,091,733	353,013	..	3.62
Hancock	3,159,642	3,264,810	195,168	..	3.33	25,112,962	26,045,070	932,108	..	3.71
Hardy	420,541	451,555	31,014	..	7.37	6,014,041	5,592,715	..	421,326	7.01
Harrison	26,219,812	26,356,042	136,230	..	.52	123,457,842	120,400,312	..	3,057,530	2.48
Jackson	3,476,798	3,671,769	194,971	..	5.61	12,785,849	12,338,761	..	447,088	3.5
Jefferson	5,198,922	5,439,469	240,547	..	4.63	21,329,350	21,268,424	..	60,926	.29
Kanawha	50,169,921	59,372,734	9,202,813	..	18.34	208,190,291	218,296,014	10,105,723	..	4.85
Lewis	11,573,236	11,979,277	401,041	..	3.46	34,955,586	33,906,517	..	1,049,069	3.00
Lincoln	6,212,597	7,455,996	1,243,399	..	20.01	16,876,272	17,958,396	1,082,124	..	6.41
Logan	12,058,676	14,649,890	2,591,214	..	21.49	45,709,011	44,214,700	..	1,494,311	3.27
Marion	21,770,380	21,842,372	72,492	..	.33	105,723,503	100,064,221	..	5,659,282	5.35
Marshall	14,812,515	14,921,057	108,542	..	.73	55,967,015	51,061,927	..	4,905,088	8.76
Mason	5,930,593	6,191,821	261,228	..	4.4	17,602,868	17,738,756	135,888	..	.77
Mercer	20,663,213	23,075,430	2,412,217	..	11.67	62,119,940	62,798,250	678,310	..	1.09
Mineral	7,663,611	8,765,875	1,102,264	..	14.38	21,780,151	22,631,015	850,864	..	3.91
Mingo	18,015,715	21,588,974	3,573,259	..	19.83	37,673,835	40,213,067	2,539,232	..	6.74
Monongalia	17,034,740	18,247,059	1,212,319	..	7.12	93,755,230	85,669,034	..	8,086,196	8.62

Monroe	875,094	1,288,408	413,314	..	47.23	9,893,514	10,205,118	311,604	..	3.15
Morgan	9,144,185	9,145,452	1,267	..	.01	14,524,313	14,515,995	..	8,318	.06
McDowell	20,910,877	24,076,579	3,165,702	..	15.14	79,330,757	80,511,966	1,181,209	..	1.49
Nicholas	1,561,779	1,725,366	163,587	..	10.47	17,953,249	17,837,136	..	116,113	.65
Ohio	13,761,984	14,760,633	998,649	..	7.26	133,635,744	110,360,208	..	23,275,536	17.42
Pendleton	3,479	13,080	9,601	..	275.9	5,742,139	5,720,030	..	22,109	.39
Pleasants	2,707,714	2,676,573	..	31,141	1.15	8,809,989	8,643,548	..	166,441	1.89
Pocahontas	2,911,400	3,398,886	487,486	..	16.74	15,165,360	14,545,756	..	620,104	4.09
Preston	8,963,287	8,914,326	..	48,961	.55	30,003,217	28,397,616	..	1,605,601	5.35
Putnam	5,600,253	6,288,273	688,020	..	12.29	15,036,383	15,374,298	337,915	..	2.25
Raleigh	10,580,682	11,688,000	1,107,318	..	10.47	49,149,441	49,491,464	342,023	..	.7
Randolph	4,545,652	5,411,219	865,567	..	19.04	21,950,892	22,233,274	282,382	..	1.29
Ritchie	8,505,252	8,736,473	231,221	..	2.72	24,819,782	24,725,253	..	94,529	.79
Roane	11,188,561	12,145,315	956,754	..	8.55	27,943,946	27,437,815	..	505,131	1.81
Summers	6,552,691	8,104,555	1,551,864	..	23.68	15,938,084	17,466,213	1,528,129	..	9.59
Taylor	7,354,994	7,550,614	195,620	..	2.66	23,957,954	23,457,814	..	500,110	2.09
Tucker	1,686,389	1,989,808	303,419	..	17.99	9,710,059	9,702,108	..	7,951	.08
Tyler	5,105,475	5,187,170	81,695	..	1.6	16,494,970	16,136,062	..	358,908	2.18
Upshur	2,295,972	2,441,982	146,010	..	6.36	17,622,177	15,283,227	..	2,338,950	13.27
Wayne	21,919,018	23,678,397	1,759,379	..	8.03	38,434,458	39,205,572	771,114	..	2.01
Webster	1,262,752	1,435,335	172,583	..	13.67	11,159,627	10,951,240	..	208,387	1.87
Wetzel	15,261,320	15,764,779	503,459	..	3.3	33,511,130	30,405,114	..	3,106,016	9.27
Wirt	347,525	390,962	43,437	..	12.5	5,702,235	5,547,152	..	155,083	2.72
Wood	11,600,215	12,153,540	553,325	..	4.77	76,881,425	77,435,980	554,555	..	.72
Wyoming	7,651,808	9,630,184	1,978,376	..	25.86	28,194,093	28,194,724	631	..	.00
Total	$509,732,950	$564,459,362	$ 54,806,514	$ 80,102	..	$2,033,992,789	$2,008,059,785	$ 34,695,224	$ 60,628,228	..

Net Increase $54,726,412—10.74%

Net Decrease $25,933,004—1.27%.

TABLE XIV-4: THE TOTAL TAXES LEVIED FOR STATE, COUNTY AND DISTRICT, SCHOOL AND MUNICIPAL PURPOSES AND GRAND TOTAL FOR ALL PURPOSES BY COUNTIES, FOR THE YEAR 1928

COUNTIES	State Purposes	County and District Purposes	School Purposes	Municipal Purposes	Total All Purposes
Barbour	$ 26,798	$ 211,035	$ 192,668	$ 15,390	$ 445,891
Berkeley	38,787	180,885	333,284	125,003	677,959
Boone	36,707	295,578	419,344	14,766	766,395
Braxton	21,870	125,551	209,935	26,506	383,862
Brooke	45,131	250,748	459,715	100,449	856,043
Cabell	191,742	593,770	1,742,185	842,134	3,369,831
Calhoun	11,599	103,149	103,679	4,492	222,919
Clay	18,771	154,376	160,867	3,113	337,127
Doddridge	29,940	215,951	155,687	9,416	411,024
Fayette	70,235	610,938	945,165	77,986	1,704,324
Gilmer	21,035	156,262	176,212	8,568	362,077
Grant	8,843	43,397	74,925	8,209	135,374
Greenbrier	38,438	303,422	460,318	55,812	857,990
Hampshire	12,298	66,836	97,614	9,764	186,512
Hancock	31,755	210,955	382,288	45,844	670,842
Hardy	7,407	41,834	64,927	6,232	120,400
Harrison	165,663	972,808	1,493,863	470,724	3,103,058
Jackson	16,529	125,727	168,226	12,001	322,483
Jefferson	27,794	124,188	156,300	33,026	341,308
Kanawha	270,854	1,405,597	2,593,180	846,623	5,116,254
Lewis	46,933	302,594	315,361	44,658	709,546
Lincoln	23,789	223,460	235,614	3,012	485,875
Logan	58,335	590,165	717,631	85,720	1,451,851
Marion	134,640	966,544	1,232,681	344,828	2,678,693
Marshall	75,089	442,839	585,397	177,270	1,280,595
Mason	22,978	167,997	205,528	25,852	422,355
Mercer	84,032	455,390	1,004,164	360,633	1,904,219
Mineral	29,015	140,923	227,621	86,396	483,955
Mingo	49,802	440,384	657,551	156,399	1,304,136
Monongalia	123,861	807,561	905,823	317,040	2,154,285
Monroe	13,034	79,671	132,352	7,638	232,695
Morgan	18,713	110,583	126,631	10,575	266,502
McDowell	105,256	832,283	1,475,963	116,547	2,530,049
Nicholas	22,817	184,872	218,781	37,107	463,577
Ohio	173,063	718,879	1,384,695	952,148	3,228,785
Pendleton	7,449	53,763	59,518	4,186	124,916
Pleasants	10,823	70,606	102,601	14,920	198,950
Pocahontas	20,441	121,627	218,196	17,571	377,835
Preston	40,966	307,721	431,641	53,911	834,239
Putnam	19,729	159,164	186,746	6,924	372,563
Raleigh	62,831	554,522	964,205	78,504	1,660,062
Randolph	29,027	171,089	316,175	58,046	574,337
Ritchie	34,253	226,373	243,484	25,714	529,824
Roane	33,585	255,826	227,808	22,772	539,991
Summers	20,709	133,668	205,509	52,929	412,815
Taylor	31,670	220,722	267,465	67,959	587,816
Tucker	13,139	87,938	153,217	25,081	279,375
Tyler	21,770	159,921	187,197	28,693	397,581
Upshur	23,511	171,292	216,102	35,555	446,460
Wayne	50,317	389,047	458,196	94,270	991,830
Webster	14,768	115,217	155,616	6,196	291,797
Wetzel	46,531	387,414	396,275	48,808	879,028
Wirt	7,165	49,030	56,720	3,151	116,066
Wood	99,212	420,567	835,744	254,313	1,609,836
Wyoming	37,020	334,606	400,869	34,545	807,040
Totals	$ 2,698,469	$17,047,295	$25,899,459	$ 6,375,929	$52,021,152

TABLE XIV-5: THE TOTAL TAXES LEVIED FOR STATE, COUNTY AND DISTRICT, SCHOOL AND MUNICIPAL PURPOSES AND GRAND TOTAL FOR ALL PURPOSES, BY COUNTIES FOR THE YEAR 1929

COUNTIES	State Purposes	County and District Purposes	School Purposes	Municipal Purposes	Total All Purposes
Barbour	$ 34,161	$ 211,336	$ 205,250	$ 18,514	$ 469,261
Berkeley	57,250	174,641	350,317	126,482	708,690
Boone	52,997	294,133	422,049	14,603	783,732
Braxton	30,881	124,582	219,644	24,053	399,160
Brooke	67,139	251,785	495,704	101,946	916,574
Cabell	241,473	523,761	1,707,612	819,057	3,291,903
Calhoun	18,268	102,126	127,164	4,322	251,880
Clay	24,868	133,061	168,419	3,320	329,668
Doddridge	41,867	195,470	164,829	9,177	411,343
Fayette	101,238	546,540	957,264	78,184	1,683,226
Gilmer	27,557	150,946	186,094	7,875	372,472
Grant	12,850	43,142	87,348	7,508	150,848
Greenbrier	56,352	323,378	504,149	59,266	943,145
Hampshire	18,503	70,231	117,522	10,579	216,835
Hancock	47,714	212,673	394,581	51,246	706,214
Hardy	11,426	43,432	77,252	7,529	139,639
Harrison	234,567	955,442	1,516,275	437,119	3,143,403
Jackson	24,292	117,563	189,829	11,997	343,681
Jefferson	40,524	120,993	187,532	33,266	382,315
Kanawha	395,560	1,360,617	2,648,403	885,356	5,289,936
Lewis	66,415	324,573	361,183	49,559	801,730
Lincoln	32,065	204,558	272,697	4,951	514,271
Logan	86,848	557,812	789,099	84,622	1,518,381
Marion	200,877	932,318	1,276,306	366,180	2,775,681
Marshall	106,336	426,956	573,185	179,201	1,285,678
Mason	33,442	175,613	213,420	24,155	446,630
Mercer	118,028	425,919	1,025,977	374,580	1,944,504
Mineral	41,383	144,064	228,691	85,274	499,412
Mingo	71,579	473,021	707,169	138,526	1,390,295
Monongalia	178,134	755,058	965,899	310,985	2,210,076
Monroe	18,797	79,180	142,931	7,984	248,892
Morgan	27,596	101,602	131,340	10,562	271,100
McDowell	150,729	826,447	1,462,382	125,188	2,564,746
Nicholas	34,110	201,234	252,846	41,437	529,627
Ohio	253,909	708,270	1,485,883	951,624	3,399,686
Pendleton	10,910	39,568	73,014	2,721	126,213
Pleasants	16,738	85,654	104,457	15,272	222,121
Pocahontas	28,815	117,301	216,140	18,478	380,734
Preston	57,004	283,097	441,394	52,222	833,717
Putnam	28,570	158,342	227,129	7,336	421,377
Raleigh	93,384	532,349	994,445	99,213	1,719,391
Randolph	41,707	169,316	322,161	57,372	590,556
Ritchie	47,156	221,434	258,386	26,335	553,311
Roane	53,095	264,467	250,564	22,602	590,728
Summers	30,282	140,528	222,247	61,426	454,483
Taylor	45,521	202,607	279,012	75,410	602,550
Tucker	18,449	78,661	161,376	27,770	286,256
Tyler	31,340	173,520	213,959	28,552	447,371
Upshur	33,482	176,772	210,125	34,883	455,262
Wayne	73,025	445,961	515,798	86,976	1,121,760
Webster	21,204	91,852	167,768	6,767	287,591
Wetzel	63,670	391,322	428,034	42,021	925,047
Wirt	10,832	50,130	66,579	3,145	130,686
Wood	146,074	414,920	903,178	259,974	1,724,146
Wyoming	53,569	316,863	424,767	30,799	825,998
Totals	$ 3,864,562	$16,647,141	$27,096,778	$ 6,425,501	$54,033,982

Table XIV-6: Numbers of Automobiles in Counties Compared With Number Assessed

Number of Autos and Trucks in County as shown by R. L. Polk & Company of Detroit. Number as shown by assessment is taken from the assessment records for 1929.

	No. Cars and Trucks	No. as shown by Assessment
Barbour	2,454	1,669
Berkeley	6,024	4,057
Boone	2,458	1,513
Braxton	1,432	1,089
Brooke	3,317	911
Cabell	16,756	8,364
Calhoun	922	656
Clay	971	426
Doddridge	1,164	947
Fayette	8,516	3,941
Gilmer	1,003	746
Grant	1,290	1,007
Greenbrier	5,016	2,818
Hampshire	2,309	1,688
Hancock	4,852	2,089
Hardy	1,491	1,213
Harrison	12,577	6,290
Jackson	1,746	1,137
Jefferson	3,129	2,200
Kanawha	24,880	7,770
Lewis	3,321	1,806
Lincoln	1,178	746
Logan	6,279	2,638
Marion	12,042	5,419
Marshall	5,644	3,215
Mason	2,342	1,659
Mercer	8,340	4,494
Mineral	3,466	2,174
Mingo	3,337	1,720
Monongalia	8,249	4,903
Monroe	1,868	1,075
Morgan	1,438	980
McDowell	9,045	3,688
Nicholas	2,186	1,341
Ohio	14,777	6,924
Pendleton	1,313	987
Pleasants	1,024	715
Pocahontas	1,878	1,290
Preston	4,629	3,141
Putnam	1,459	966
Raleigh	8,000	3,676
Randolph	3,138	2,076
Ritchie	2,855	1,606
Roane	2,378	1,388
Summers	2,160	1,342
Taylor	2,887	2,406
Tucker	1,345	938
Tyler	2,038	1,511
Upshur	2,299	1,699
Wayne	1,916	1,538
Webster	946	712
Wetzel	3,440	2,034
Wirt	624	481
Wood	11,060	5,003
Wyoming	1,860	1,041
	243,068a	127,863

a–Total number in State January 1, 1929, as reported by State Road Department, was 257,258. See Table XIV—8, page 426.

Table XIV—7: Average Rate of Levy on Each $100 Assessed Valuation for State, County and District, School and Municipal Purposes for the Years 1928 and 1929

Counties:	1928 State	1928 County and District	1928 School	1928 Municipal	1928 TOTAL	1929 State	1929 County and District	1929 School	1929 Municipal	1929 TOTAL
Barbour	$.13	$1.023	$ .935	$.075	$2.163	$.19	$1.175	$1.142	$.103	$2.61
Berkeley	.13	.606	1.117	.419	2.272	.19	.579	1.163	.42	2.352
Boone	.13	1.047	1.485	.052	2.714	.19	1.054	1.513	.052	2.809
Braxton	.13	.746	1.248	.157	2.281	.19	.766	1.352	.148	2.456
Brooke	.13	.722	1.324	.289	2.465	.19	.713	1.402	.289	2.594
Cabell	.13	.402	1.181	.571	2.284	.19	.412	1.344	.644	2.590
Calhoun	.13	1.156	1.162	.050	2.498	.19	1.062	1.323	.045	2.62
Clay	.13	1.069	1.114	.021	2.334	.19	1.017	1.287	.025	2.519
Doddridge	.13	.938	.676	.041	1.785	.19	.887	.748	.042	1.867
Fayette	.13	1.131	1.749	.144	3.154	.19	1.026	1.796	.147	3.159
Gilmer	.13	.966	1.089	.053	2.238	.19	1.041	1.283	.054	2.568
Grant	.13	.638	1.101	.121	1.99	.19	.638	1.291	.111	2.23
Greenbrier	.13	1.026	1.557	.188	2.901	.19	1.09	1.70	.20	3.18
Hampshire	.13	.707	1.032	.103	1.972	.19	.721	1.207	.108	2.226
Hancock	.13	.864	1.565	.187	2.746	.19	.847	1.571	.204	2.812
Hardy	.13	.734	1.14	.109	2.113	.19	.722	1.285	.125	2.322
Harrison	.13	.764	1.172	.369	2.435	.19	.774	1.228	.354	2.546
Jackson	.13	.989	1.323	.094	2.536	.19	.92	1.484	.094	2.688
Jefferson	.13	.581	.731	.154	1.596	.19	.567	.879	.156	1.792
Kanawha	.13	.675	1.245	.406	2.456	.19	.654	1.272	.425	2.541
Lewis	.13	.838	.873	.124	1.965	.19	.928	1.033	.142	2.293
Lincoln	.13	1.221	1.288	.016	2.655	.19	1.212	1.616	.029	3.047
Logan	.13	1.315	1.599	.191	3.235	.19	1.22	1.726	.185	3.321
Marion	.13	.933	1.19	.333	2.586	.19	.882	1.207	.346	2.625
Marshall	.13	.767	1.013	.307	2.217	.19	.763	1.024	.32	2.297
Mason	.13	.95	1.163	.146	2.389	.19	.998	1.212	.137	2.537
Mercer	.13	.705	1.553	.558	2.946	.19	.685	1.652	.603	3.13
Mineral	.13	.631	1.02	.387	2.168	.19	.661	1.05	.392	2.293
Mingo	.13	1.15	1.716	.408	3.404	.19	1.256	1.877	.367	3.69
Monongalia	.13	.847	.951	.333	2.261	.19	.805	1.03	.332	2.357
Monroe	.13	.795	1.32	.076	2.321	.19	.80	1.445	.081	2.516
Morgan	.13	.768	.88	.073	1.851	.19	.699	.904	.073	1.866
McDowell	.13	1.028	1.823	.144	3.125	.19	1.042	1.843	.158	3.233
Nicholas	.13	1.053	1.247	.211	2.641	.19	1.12	1.41	.23	2.95
Ohio	.13	.54	1.04	.715	2.425	.19	.53	1.112	.712	2.544
Pendleton	.13	.938	1.039	.073	2.18	.19	.689	1.272	.047	2.198
Pleasants	.13	.848	1.232	.179	2.389	.19	.972	1.186	.173	2.521
Pocahontas	.13	.773	1.388	.112	2.403	.19	.77	1.43	.12	2.51
Preston	.13	.976	1.37	.171	2.647	.19	.944	1.471	.174	2.779
Putnam	.13	1.049	1.23	.046	2.455	.19	1.05	1.51	.05	2.80
Raleigh	.13	1.147	1.995	.163	3.435	.19	1.083	2.023	.202	3.498
Randolph	.13	.766	1.416	.26	2.572	.19	.77	1.47	.26	2.69
Ritchie	.13	.859	.924	.098	2.011	.19	.892	1.041	.106	2.229
Roane	.13	.99	.882	.088	2.09	.19	.946	.897	.081	2.114
Summers	.13	.839	1.29	.332	2.591	.19	.882	1.394	.385	2.851
Taylor	.13	.906	1.098	.279	2.413	.19	.846	1.164	.315	2.515
Tucker	.13	.87	1.516	.248	2.764	.19	.81	1.662	.286	2.948
Tyler	.13	.955	1.118	.171	2.374	.19	1.052	1.297	.173	2.712
Upshur	.13	.947	1.195	.197	2.469	.19	1.003	1.192	.198	2.583
Wayne	.13	1.005	1.184	.243	2.562	.19	1.16	1.342	.226	2.918
Webster	.13	1.014	1.37	.055	2.569	.19	.823	1.503	.061	2.577
Wetzel	.13	1.083	1.107	.136	2.456	.19	1.168	1.277	.125	2.76
Wirt	.13	.89	1.029	.057	2.106	.19	.879	1.168	.055	2.292
Wood	.13	.551	1.095	.333	2.109	.19	.54	1.175	.338	2.243
Wyoming	.13	1.175	1.408	.121	2.834	.19	1.124	1.506	.109	2.929
Total	$.13	$ .821	$1.248	$.307	$2.506	$.19	$ .818	$1.332	$.316	$2.656

TABLE XIV—8: RECAPITULATION OF ASSESSMENT OF PERSONAL PROPERTY IN STATE FOR THE YEAR 1929

COUNTIES	Assessed Valuation	Average Tax Rate	Horses			Cattle			Sheep			Hogs			Farm Implements
			Number	"C" Value	Average	Number	"D" Value	Average	Number	"E" Value	Average	Number	"F" Value	Average	"G" Value
Barbour	$ 2,620,216	$2.61	2,597	$ 118,020	$47	11,766	$ 442,025	$38	6,434	$ 46,690	$ 7	2,258	$15,175	$ 7	$ 23,120
Berkeley	6,755,950	2.352	3,207	149,255	47	6,316	227,370	36	4,812	40,690	8	8,058	25,395	6	78,025
Boone	6,693,991	2.809	1,231	60,130	49	2,454	79,355	32	235	850	4	1,606	11,630	7	2,210
Braxton	3,074,880	2.456	3,560	165,095	46	14,462	514,225	36	14,666	114,650	8	2,424	17,465	7	47,850
Brooke	5,443,043	2.594	381	27,100	71	901	38,500	43	4,007	15,300	4	..	..	..	22,600
Cabell	24,195,044	2.509	2,431	97,845	40	4,773	156,280	33	544	3,460	6	1,851	28,635	15	28,635
Calhoun	2,656,510	2.620	2,040	83,235	41	6,410	195,000	30	3,612	27,315	8	1,684	10,710	6	17,325
Clay	4,164,638	2.519	1,359	64,536	47	2,438	109,935	45	1,576	13,570	9	842	9,266	11	3,896
Doddridge	3,776,845	1.867	1,892	80,200	42	8,710	293,780	34	12,664	83,080	7	314	4,705	15	11,005
Fayette	8,505,150	3.159	1,834	86,050	47	4,273	128,650	30	2,665	15,443	6	609	5,565	9	14,278
Gilmer	2,864,550	2.568	2,280	92,460	41	9,693	319,810	33	9,214	71,330	8	1,887	13,355	7	25,570
Grant	1,996,500	2.230	1,325	73,570	56	8,534	286,370	34	14,723	112,930	8	2,463	14,650	6	41,720
Greenbrier	5,239,300	3.180	3,457	165,185	48	17,276	604,555	35	22,467	191,090	9	3,513	23,145	7	70,465
Hampshire	2,224,540	2.226	2,096	104,420	50	7,018	265,450	38	10,913	87,840	8	2,719	19,500	7	99,590
Hancock	4,108,790	2.812	447	28,150	63	1,116	44,550	40	974	3,570	4	176	2,250	13	18,850
Hardy	2,310,410	2.322	1,964	93,255	47	8,785	403,735	46	14,824	104,325	7	3,945	24,575	6	76,255
Harrison	21,857,560	2.546	3,176	160,620	51	18,525	738,000	40	11,103	85,130	8	2,961	33,380	11	62,220
Jackson	2,010,031	2.688	3,628	164,570	45	14,494	543,280	37	11,325	71,495	6	1,470	9,575	7	32,856
Jefferson	4,886,475	1.792	3,270	219,535	67	5,941	291,985	49	9,599	92,575	10	4,048	42,575	11	157,840
Kanawha	27,852,500	2.541	2,508	101,095	40	7,445	209,590	28	1,405	8,904	6	550	5,170	9	1,910
Lewis	6,366,380	2.293	2,602	125,370	48	16,102	587,920	37	18,785	136,310	7	2,134	18,550	9	50,370
Lincoln	3,508,170	3.047	2,773	131,315	47	3,132	105,600	34	593	2,910	5	367	5,330	15	17,870
Logan	8,380,175	3.321	918	34,265	37	2,141	56,465	26	265	1,850	7	1,466	9,215	6	595
Marion	18,386,019	2.625	2,644	119,160	45	7,592	254,638	34	5,239	31,065	6	635	10,410	16	34,945
Marshall	9,910,490	2.297	2,565	151,710	59	6,608	278,180	42	29,962	150,320	5	523	12,290	23	64,600
Mason	2,550,755	2.537	3,567	182,590	51	13,492	499,490	33	5,180	29,900	6	3,478	26,850	8	72,900
Mercer	10,861,517	3.130	2,274	86,460	38	8,621	203,750	24	6,155	39,070	6	1,638	12,640	8	17,390
Mineral	3,445,550	2.293	1,092	48,395	44	4,585	162,555	35	5,918	54,745	9	1,068	10,695	10	35,920
Mingo	5,148,215	3.690	967	34,520	36	1,689	51,735	31	497	1,822	4	885	5,854	7	170
Monongalia	15,742,100	2.357	2,179	93,885	43	9,154	243,160	27	13,481	59,435	4	391	6,235	16	28,895

Monroe	1,855,255	2.516	2,911	126,155	43	12,789	413,380	32	22,117	149,703	7	3,758	23,747	6	50,720
Morgan	1,528,226	1.866	1,054	47,515	45	1,779	63,845	36	324	1,735	5	1,468	10,086	7	24,895
McDowell	11,402,825	3.233	843	32,175	39	2,522	73,500	29	259	1,300	5	126	1,200	10	..
Nicholas	3,873,650	2.950	2,036	106,770	52	6,688	220,430	33	9,361	50,730	5	2,331	16,135	7	20,790
Ohio	28,385,955	2.544	1,026	77,350	75	3,229	127,715	40	3,414	17,330	5	769	7,000	9	24,470
Pendleton	1,649,035	2.198	2,265	91,915	41	9,655	367,540	38	2,6848	131,905	5	4,740	21,855	5	60,520
Pleasants	2,514,105	2.521	818	39,825	49	2,579	75,055	29	1,976	10,775	5	441	5,290	12	11,030
Pocahontas	3,882,850	2.510	2,077	103,255	50	8,818	304,120	34	34,230	243,040	7	2,282	15,755	7	60,755
Preston	5,400,400	2.779	3,811	215,455	57	10,337	438,535	42	9,958	88,918	9	3,177	34,092	11	114,640
Putnam	2,570,510	2.80	2,417	129,825	54	4,530	153,005	34	1,525	9,740	6	1,141	11,720	10	32,045
Raleigh	7,592,615	3.498	1,989	80,355	40	4,743	152,155	32	2,930	16,010	5	924	7,789	8	7,530
Randolph	4,988,260	2.690	2,350	103,580	44	10,459	336,035	32	15,652	107,455	7	20,078	16,160	8	36,710
Ritchie	6,212,360	2.229	2,509	128,560	51	10,455	475,460	45	15,346	140,500	9	1,666	17,260	10	29,530
Roane	7,076,015	2.114	3,301	134,590	41	15,330	480,610	31	11,044	66,955	6	2,412	14,990	6	16,555
Summers	1,899,923	2.851	2,308	91,610	40	6,869	160,510	23	7,446	40,780	5	1,905	12,230	6	27,695
Taylor	4,232,720	2.515	1,296	70,130	54	5,502	220,470	40	3,170	35,280	11	1,060	12,110	11	24,300
Tucker	1,704,690	2.948	876	48,480	55	3,450	116,640	34	4,486	40,770	9	522	6,530	13	14,340
Tyler	4,874,335	2.712	1,588	81,955	52	6,041	194,035	32	10,876	56,270	5	1,603	11,510	7	28,370
Upshur	2,987,980	2.583	2,380	104,275	44	9,419	291,610	31	8,232	68,465	8	1,995	14,435	7	34,835
Wayne	2,679,575	2.918	3,491	143,250	41	7,774	220,965	28	829	5,820	7	3,339	23,235	7	26,535
Webster	2,243,420	2.577	1,204	56,102	47	3,194	106,831	33	6,427	40,688	6	2,026	12,235	6	13,301
Wetzel	6,296,440	2.760	2,261	102,970	46	6,230	172,580	28	15,077	74,755	5	1,586	12,330	8	27,189
Wirt	1,648,675	2.292	1,584	69,580	44	6,004	203,085	34	4,535	39,965	9	1,166	8,830	8	21,760
Wood	17,127,070	2.243	2,773	133,915	48	8,559	270,075	32	4,572	23,525	5	1,584	14,790	9	40,475
Wyoming	2,032,755	2.929	1,228	49,400	40	2,969	96,475	32	1,238	7,350	6	1,252	10,405	8	5,540
Total	$364,240,938	$ 2.656	116,660	$5,510,988	$47	404,370	$14,075,599	$35	465,739	$3,167,428	$ 7	97,314	$776,331	$ 8	$1,914,405

TABLE XIV—8: RECAPITULATION OF ASSESSMENT OF PERSONAL PROPERTY IN STATE FOR THE YEAR 1929—Continued

	Farm Products	Mined or Manufactured Products	Automobiles			Vehicles	Household Goods Etc.	Tangible	Chattels Real	Other Tangible	Money, Credits And Investments			Bank Stock	Exempt Property
	"H" Value	"I" Value	Number	"J" Value	Average	"K" Value	"O" Value	"PP" Value	"P" Value	"Q" Value	"U" Gross	"X" Indebtedness	"Y" Net	"V" Value	Amount
Barbour	$ 550	$ 35	1,669	$ 238,660	$ 142	$ 1,765	$ 194,000	$ 439,295	$ 221,680	$ 49,365	$ ..	$ ..	$ 672,140	$ 157,696	$ ..
Berkeley	11,745	6,270	4,057	691,880	171	8,595	611,425	2,154,574	10,000	715,231	..	..	1,484,019	541,476	..
Boone	480	207,855	1,513	277,910	184	8,765	363,044	2,379,530	2,804,470	25,296	..	..	304,371	167,371	900
Braxton	1,425	108,965	1,089	167,505	154	10,260	312,940	9,100	55,920	653,066	..	..	779,695	116,719	353,750
Brooke	..	..	911	220,000	241	..	829,600	1,083,000	2,008,600	636,500	..	..	294,900	266,943	..
Cabell	940	360	3,364	1,408,617	168	8,010	2,317,698	300	63,967	14,317,449	..	..	5,762,948	..	..
Calhoun	150	..	656	98,920	151	4,860	88,905	..	1,648,917	215,870	..	..	166,095	99,210	..
Clay	465	275	426	87,900	206	10,520	113,755	843,366	2,460,968	41,453	..	..	265,737	139,174	..
Doddridge	..	..	947	126,990	134	5,410	147,460	296,285	1,647,195	42,640	..	..	888,165	149,930	..
Fayette	900	..	3,941	817,000	207	4,402	1,581,520	4,554,978	92,995	67,982	..	..	482,857	652,530	..
Gilmer	1,900	2,035	746	102,255	137	6,030	99,060	66,445	1,388,075	55,140	..	..	505,835	115,250	..
Grant	8,795	430	1,007	135,060	134	710	126,970	397,785	1,950	53,980	..	..	598,885	142,695	8,590
Greenbrier	4,915	61,800	2,318	495,455	176	8,020	573,730	731,760	7,000	1,285,960	..	..	721,550	294,670	..
Hampshire	..	..	1,688	242,710	144	..	179,250	235,230	..	86,730	..	..	710,210	193,610	..
Hancock	2,000	..	2,089	261,640	125	650	557,770	377,100	2,188,540	267,440	..	..	189,430	166,850	..
Hardy	10,470	8,775	1,213	162,935	134	3,820	167,120	299,440	55,330	82,730	..	..	632,520	185,125	..
Harrison	..	..	6,290	1,248,440	198	..	2,088,020	7,645,590	1,965,450	1,185,840	..	..	4,545,970	2,098,900	3,341,590
Jackson	40	200	1,137	145,225	128	1,945	204,650	..	179,630	339,063	..	..	297,690	119,812	..
Jefferson	129,795	21,350	2,200	367,265	167	2,675	644,050	11,485	695,995	163,380	..	..	2,046,270	..	..
Kanawha	..	23,400	7,770	1,460,090	188	451	2,739,015	8,499,995	9,741,470	793,907	..	..	1,664,753	2,602,750	..
Lewis	..	..	1,806	404,500	225	..	591,430	1,156,500	751,790	76,310	..	..	2,235,410	231,920	2,241,480
Lincoln	40	81,645	746	130,130	174	16,165	197,390	5,360	1,928,020	627,440	..	..	258,955	..	107,750
Logan	175	..	2,638	559,395	212	1,565	973,095	5,366,970	915,240	248,950	..	..	212,395	..	..
Marion	620	700	5,419	1,441,663	266	10,808	1,670,946	6,213,789	1,380,611	1,348,650	..	..	4,222,892	1,645,122	1,665,950
Marshall	20,040	..	3,215	632,340	197	..	896,460	4,712,890	674,220	97,430	..	..	1,399,010	821,000	..
Mason	4,950	..	1,659	236,590	143	16,570	227,080	295,130	9,660	285,660	..	..	574,170	89,215	420,700
Mercer	190	30	4,494	811,550	181	6,310	1,555,440	5,184,710	186,790	65,630	..	..	494,630	2,196,927	305,000
Mineral	140	..	2,174	343,790	158	..	413,970	1,064,440	1,000	55,670	..	..	854,150	380,080	21,000
Mingo	20	..	1,720	420,871	245	950	996,534	3,089,516	107,490	149,860	..	..	588,753	..	..
Monongalia	685	490	4,903	797,250	163	4,855	1,226,740	3,576,140	1,293,085	4,252,255	..	..	4,065,325	88,665	..

Monroe	1,670	1,925	1,075	148,765	138	11,313	125,299	492,105	1,225	57,003	..	..	252,245	..	..
Morgan	1,065	..	980	133,970	137	8,885	191,340	132,608	319,000	237,006	..	..	295,251	61,025	..
McDowell	..	50	3,688	686,200	186	275	1,639,125	7,436,075	8,875	36,875	..	..	833,250	653,925	..
Nicholas	..	..	1,341	241,765	180	11,715	242,330	1,612,062	653,685	61,840	..	..	515,375	120,023	..
Ohio	900	..	6,924	2,288,232	330	10,925	3,082,285	12,730,591	25,675	685	..	..	4,757,597	5,235,200	..
Pendleton	..	..	987	107,445	109	..	69,040	66,765	..	81,875	..	..	510,175	140,000	..
Pleasants	..	..	715	114,935	161	2,510	154,115	1,106,615	..	406,840	..	..	422,980	164,135	..
Pocahontas	2,060	5,630	1,290	223,820	174	8,020	295,690	1,548,385	11,710	65,475	..	..	995,135	..	..
Preston	960	334,165	3,141	447,010	142	20,320	627,674	503,045	..	1,009,845	..	..	1,030,661	536,080	478,580
Putnam	31,420	35	966	151,265	157	8,110	201,165	1,169,900	82,350	177,300	..	..	317,290	95,340	..
Raleigh	305	115	3,676	700,637	191	5,678	1,242,045	5,013,240	2,675	34,461	..	..	329,620	..	..
Randolph	1,985	7,870	2,076	343,510	165	10,820	483,550	2,110,125	6,000	60,500	..	..	889,100	474,770	..
Ritchie	5,510	100	1,606	275,390	171	8,780	289,540	326,710	2,961,130	394,150	..	..	1,022,450	137,290	967,510
Roane	..	..	1,388	211,835	153	4,820	176,740	..	4,183,675	578,450	..	..	870,550	336,245	..
Summers	880	5,320	1,342	236,450	176	4,000	287,665	606,475	3,085	25,340	..	..	397,883	..	..
Taylor	..		2,406	417,840	174	..	552,070	1,102,270	18,160	13,990	..	..	1,431,320	334,780	304,150
Tucker	20	..	938	160,540	171	3,680	267,210	657,770	19,730	70,660	..	..	75,320	223,000	..
Tyler	19,715	..	1,511	236,470	156	2,870	274,280	..	1,928,805	710 695	..	..	847,425	481,935	..
Upshur	..	32,960	1,699	285,040	168	11,455	350,515	200	38,480	796,045	..	..	714,575	245,090	..
Wayne	2,405	220	1,538	182,755	119	20,115	421,085	22,250	629,085	164,475	..	..	644,395	172,985	..
Webster	869	8,025	712	112,807	158	3,985	145,306	826,676	423,105	98,585	..	..	308,705	86,200	16,373
Wetzel	4,425	570	2,034	277,486	136	8,240	338,400	625,060	3,074,010	105,785	..	..	1,103,110	369,530	..
Wirt	270	65	481	59,980	125	5,715	83,035	71,515	848,540	52,660	..	..	180,675	..	..
Wood	4,885	830	5,003	853,085	171	12,870	1,354,430	7,306,890	747,150	1,628,392	..	..	1,898,708	2,882,050	..
Wyoming	30	..	1,041	214,030	206	4,365	341,980	1,144,120	17,025	46,290	..	..	95,745	..	..
Total	$280,804	$922,395	127,863	$23,645,798	$ 185	$336,577	$35,525,281	$107,321,455	$50,488,931	$35,202,189	..	..	$58,659,514	$26,413,243	$10,233,323

TABLE XIV—9: ASSESSED VALUES AND TAX LEVIES BY JURISDICTIONS AND PURPOSES

Total Taxes Levied and Total Average Rate of Levy in Cents on the $100 Valuation for Each Purpose

PURPOSES	1928						1929					
	Districts		Municipalities		Total		Districts		Municipalities		Total	
	Taxes Levied	Average Rate of Levy on Each $100	Taxes Levied	Average Rate of Levy on Each $100	Taxes Levied	Average Rate of Levy on Each $100	Taxes Levied	Average Rate of Levy on Each $100	Taxes Levied	Average Rate of Levy on Each $100	Taxes Levied	Average Rate of Levy on Each $100
State, General	$ 1,078,244	$ 0.09	$ 789,939	$ 0.09	$ 1,868,183	$ 0.09	$ 1,171,390	$ 0.10	$ 862,602	$ 0.10	$ 2,033,992	$ 0.10
State Capitol Building	..	..	..	..	..	..	585,706	.05	431,295	.05	1,017,001	.05
State Virginia Debt	479,205	.04	351,081	.04	830,286	.04	468,544	.04	345,025	.04	813,569	.04
Total State	$ 1,557,449	$ 0.13	$ 1,141,020	$ 0.13	$ 2,698,469	$ 0.13	$ 2,225,640	$ 0.19	$ 1,638,922	$ 0.19	$ 3,864,562	$ 0.19
County, General	$ 3,250,122	$ 0.271	$ 2,161,995	$ 0.246	$ 5,412,117	$ 0.261	$ 3,138,217	0.268	$ 2,101,397	$ 0.244	$ 5,239,614	$ 0.258
County Road	2,871,203	.24	1,835,976	.209	4,707,179	.227	2,712,933	.231	1,729,730	.201	4,442,663	.218
District Road	1,817,514	.152	1,680	a	1,819,194	.088	1,588,984	.136	1,846	a	1,590,830	.078
District Road Bonds	2,603,948	.217	667,744	.076	3,271,692	.158	2,703,061	.231	707,138	.082	3,410,199	.168
County Road Bonds	414,477	.035	299,452	.034	713,919	.034	363,103	.031	264,872	.031	627,975	.031
Other County Bonds	14,344	.001	11,174	.002	25,518	.002	11,152	.001	9,068	.001	20,220	.001
Court House and Jail	114,354	.01	74,673	.009	189,027	.009	158,154	.013	133,766	.015	291,920	.014
Railroad Bonds	32,818	.003	21,528	.002	54,346	.003	32,489	.003	21,542	.002	54,031	.003
Agricultural Agent	1,342	a	575	a	1,917	a	7,958	.001	2,031	a	9,989	.001
Bovine Tuberculosis Eradication	..	..	..	..	..	..	2,620	a	900	a	3,520	a
Bridge Bonds	9,140	.001	56,441	.006	65,581	.003	7,064	.001	58,635	.007	65,699	.003
Court House Bonds	5,662	a	2,664	a	8,326	.001	17,369	.002	21,181	.002	38,550	.002
Dental Clinic	40,812	.003	7,766	.001	48,578	.002	33,248	.003	6,417	.001	39,665	.002
Detention Hall	9,891	.001	10,055	.001	19,946	.001	2,793	a	1,894	a	4,687	a
Health Unit	40,079	.003	10,604	.002	50,683	.002	49,019	.004	16,697	.002	65,716	.003
Special County Bridge	53,190	.004	5,506	.001	58,696	.003	43,169	.004	6,082	.001	49,251	.002
Special County Debt	33,046	.003	11,826	.002	44,872	.002	108,241	.009	31,530	.004	139,771	.007
Special County, General	..	..	..	..	..	..	34,677	.003	12,571	.001	47,248	.002
Special County Road	66,865	.006	125,762	.014	192,627	.009	50,117	.004	118,853	.014	168,970	.008t
Special District Bridge	3,880	a	3,264	a	7,144	a	..	..	..	..	..	..
Special District Road	238,459	.02	51,804	.006	290,263	.014	222,041	.019	53,149	.006	275,190	.014
Special 4-H Camp	..	..	..	..	..	..	1,980	a	252	a	2,232	a
Special Judgment	..	..	..	..	..	..	2,135	a	..	..	2,135	a
War Memorial	47,176	.004	18,484	.002	65,660	.003	38,487	.003	18,579	.002	57,066	.003
Total County and District	$ 11,668,322	$ 0.974	$ 5,378,973	$ 0.613	$ 17,047,295	$ 0.821	$ 11,329,011	$ 0.967	$ 5,318,130	$ 0.616	$ 16,647,141	$ 0.818

High School Teachers	$ 3,247,796	$ 0.271	$ 2,388,045	$ 0.272	$ 5,635,841	$ 0.272	$ 3,468,958	$ 0.296	$ 2,635,450	$ 0.306	$ 6,104,408	$ 0.30
High School Maintenance	1,089,965	.091	716,363	.082	1,806,328	.087	1,252,560	.107	775,501	.09	2,028,061	.10
Elementary Teachers	6,040,479	.504	4,386,914	.50	10,427,393	.502	6,874,246	.587	4,540,941	.527	11,415,187	.561
Elementary Maintenance	1,563,232	.13	1,302,696	.149	2,865,928	.138	1,579,726	.135	1,342,470	.156	2,922,196	.144
New Building & Improvement	2,104,999	.176	1,211,820	.138	3,316,819	.16	1,701,162	.145	953,472	.111	2,654,634	.13
School Bonds	556,563	.047	969,186	.111	1,525,749	.074	607,871	.052	1,040,687	.121	1,643,558	.081
Sub-District Extension	..	..	26,015	.003	26,015	.001	..	..	19,794	.002	19,794	.001
County High School	169,226	.014	16,038	.002	185,264	.009	177,042	.015	10,768	.001	187,810	.009
Public Library	1,211	a	59,150	.007	60,361	.003	1,239	a	62,166	.007	63,405	.003
Recreation and Playground	4,653	a	21,586	.002	26,239	.001	3,382	a	11,593	.001	14,975	.001
Special Debt	10,539	.001	7,691	a	18,230	.001	19,606	.002	12,675	.001	32,281	.002
Teacher's Pension	..	..	5,292	a	5,292	a	..	..	5,469	a	5,469	a
Total Schools	$ 14 788,663	$ 1.234	$ 11 110,796	$ 1.266	$ 25,899,459	$ 1.248	$ 15,685,792	$ 1.339	$ 11,410,986	$ 1.323	$ 27,096,778	$ 1.332
Municipal, General	..	..	$ 4,407,267	$ 0.502	$ 4,407,267	$ 0.212	..	..	$ 4,435,750	$ 0.514	$ 4,435,750	$ 0.218
Municipal Bonds	..	..	1,545,744	.176	1,545,744	.074	..	..	1,481,636	.172	1,481,636	.073
Additional Fund	..	..	4,495	.001	4,495	a	..	..	..	..	..	..
Bridge and Viaduct	..	..	3,454	a	3,454	a	..	..	3,845	a	3,845	a
City Hall	..	..	3,687	a	3,687	a	..	..	3,991	a	3,991	a
Firemen's Pension	..	..	15,178	.002	15,178	.001	..	..	16,338	.002	16,338	.001
Health Unit	..	..	46,791	.005	46,791	.002	..	..	39,672	.005	39,672	.002
Municipal Band	..	..	10,420	.001	10,420	.001	..	..	10,744	.001	10,744	a
Park Commission	..	..	119,645	.014	119,645	.006	..	..	153,790	.018	153,790	.008
Police Pension	..	..	10,041	.001	10,041	.001	..	..	7,627	.001	7,627	a
Public Library	..	..	23,179	.003	23,179	.001	..	..	24,475	.003	24,475	.001
Recreation and Playground	..	..	63,887	.007	63,887	.003	..	..	39,407	.005	39,407	.002
Special Airport	..	..	..	..	..	..	..	..	54,688	.006	54,688	.003
Special Cemetery	..	..	..	..	..	..	..	..	10,938	.001	10,938	a
Special Debt	..	..	21,583	.003	21,583	.001	..	..	33,242	.004	33,242	.002
Special Fire Protection	..	..	..	..	..	..	..	..	682	a	682	a
Special Poor	..	..	..	..	..	..	..	..	787	a	787	a
Special Ramp	..	..	..	..	..	..	..	..	13,671	.001	13,671	.001
Special Sewer	..	..	46,268	.005	46,268	.002	..	..	33,999	.004	33,999	.002
Special Street Improvement	..	..	54,290	.006	54,290	.003	..	..	55,620	.007	55,620	.003
Special Water System Impv't.	..	..	..	..	..	..	..	..	4,599	.001	4,599	a
Total Municipal	..	..	$ 6,375,929	$ 0.726	$ 6,375,929	$ 0.307	..	..	$ 6,425,501	$ 0.745	$ 6,425,501	$ 0.316
GRAND TOTALS	$ 28,014,434	$ 2.338	$ 24,006,718	$ 2.735	$ 52,021,152	$ 2.506	$ 29,240,443	$ 2.496	$ 24,793,539	$ 2.874	$ 54,033,982	$ 2.656

a—Less than one-half mill.

TABLE XIV—9: ASSESSED VALUES AND TAX LEVIES BY JURISDICTIONS AND PURPOSES—Continued

A table for entire state showing total assessed value of property, total taxes levied for all purposes on real estate, personal property and public utility property, and total taxes levied for each purpose and total average rate of levy for the years 1928 and 1929.

Total Assessed Value

CLASS OF PROPERTY	1928			1929		
	Districts	Municipalities	Total	Districts	Municipalities	Total
Real Estate	$ 634,208,846	$ 564,107,360	$1,198,416,206	$ 606,346,459	$ 551,672,442	$1,160,018,901
Personal Property	177,541,542	187,227,920	364,769,462	170,310,020	134,930,918	304,240,938
Public Utility Property	336,187,527	126,373,075	512,560,602	383,739,185	125,993,765	509,732,950
Total	$1,198,037,915	$ 877,708,355	$2,075,746,270	$1,171,395,664	$ 862,597,125	$2,033,992,789

Total Taxes Levied for All Purposes on Real Estate, Personal Property and Public Utility Property

FOR ALL PURPOSES	1928			1929		
	Districts	Municipalities	Total	Districts	Municipalities	Total
On Real Estate	$14,873,441	$15,294,412	$30,137,853	$15,169,661	$15,697,949	$30,867,510
On Personal Property	4,120,610	5,138,796	9,259,406	4,434,707	5,331,873	9,766,580
On Public Utility Property	9,020,383	3,603,610	12,623,993	9,636,175	3,763,717	13,399,892
Total	$28,014,434	$24,006,718	$52,021,152	$29,240,443	$24,793,539	$54,033,982

TABLE XIV–10: FREQUENCY DISTRIBUTION OF RATIOS OF ASSESSED TO MARKET VALUE OF 1020 NORTH CAROLINA FARMS*a*

Percentage of Assessed to Market Value	Distribution		
	Number	Percentage of Total Number	Cumulative Percentage
Below 30%	46	4.51	4.5
30–39.9	62	6.08	10.6
40–49.9	84	8.24	18.8
50–59.9	106	10.39	29.2
60–69.9	156	15.29	44.5
70–79.9	138	13.53	58.0
80–89.9	124	12.16	70.2
90–99.9	97	9.51	79.7
100–109.9	73	7.16	86.9
110–119.9	47	4.61	91.5
120–129.9	19	1.86	93.3
130–139.9	17	1.67	95.0
140–149.9	16	1.57	96.6
150 and over	35	3.43	100.0
Total	1,020	100.	

a—North Carolina, *Report of the Tax Commission*, 1928, p. 170. This table is given for purposes of comparison. Assessments in North Carolina (where there is complete separation of sources of state and local revenues) have been considered extremely poor and inequitable but they show somewhat more concentration around the average than do assessments in West Virginia. Note that this distribution is by numbers rather than by sale prices.

TABLE XIV–11: SUMMARY TAX DATA—STATE OF WEST VIRGINIA

(From Office of State Tax Commissioner)

Per Capita Tax

	1925	1926	1927	1928	1929
Per Capita State, General	$ 1.46	$ 1.45	$ 1.43	$ 1.27	$ 1.39
Per Capita State Capitol Building	.....	.....	.....	.....	.69
Per Capita State Virginia Debt	.58	.58	.58	.57	.56
Per Capita County and District	10.72	10.99	11.60	11.65	11.37
Per Capita School	16.41	16.73	17.15	17.69	18.51
Per Capita Municipal	4.14	4.23	4.29	4.36	4.39
Total Per Capita Tax in State	$33.31	$33.98	$35.05	$35.54	$36.91

Total Taxes Levied for Year 1929 in State

	Average Rate on $100		
State, General	$0.10	$ 2,033,992	3.8%
State Capitol Building	.05	1,017,001	1.9%
State Virginia Debt	.04	813,569	1.5%
County and District	.818	16,647,141	30.8%
School	1.332	27,096,778	50.1%
Municipal	.316	6,425,501	11.9%
Totals	$2.656	$54,033,982	100.0%

Total Average Rate of Levy on the $100 Valuation for Seven Years in State

	1923	1924	1925	1926	1927	1928	1929
State, General	$0.10	$0.10	$0.10	$0.10	$0.10	$0.09	$0.10
State Capitol Building	.....	.....	.....	.....	.....	.....	.05
State Virginia Debt	.04	.04	.04	.04	.04	.04	.04
County and District	.69	.708	.735	.755	.81	.821	.818
School	1.061	1.081	1.126	1.15	1.198	1.248	1.332
Municipal	.256	.261	.284	.29	.30	.307	.316
Totals	$2.147	$2.19	$2.285	$2.335	$2.448	$2.506	$2.656
On	1923	1924	1925	1926	1927	1928	1929
Real Estate	$2.152	$2.196	$2.294	$2.344	$2.456	$2.515	$2.661
Personal Property	2.181	2.231	2.333	2.374	2.490	2.538	2.681
Public Utility	2.102	2.135	2.217	2.273	2.393	2.463	2.629
Total Average Rate	$2.147	$2.19	$2.285	$2.335	$2.448	$2.506	$2.656

NOTE—The various years referred to in the foregoing statement are tax years.

TABLE XIV—12: WEST VIRGINIA GROSS SALES TAX RECEIPTS—BY CLASSES FROM JULY 1, 1921, TO JUNE 30, 1925

CLASS	Year Ended June 30, 1922	Year Ended June 30, 1923	Year Ended June 30, 1924	Year Ended June 30, 1925
PRODUCTION OF MINERALS:				
Coal	$ 517,682.71	$ 1,085,725.62	$ 1,099,245.40	$ 735,418.61
Sand—Limestone	13,164.20	18,044.95	24,196.27	24,954.33
Oil—Gas	151,049.50	231,702.84	221,805.10	200,098.61
Gross Receipts	$ 681,896.41	$ 1,335,473.41	$ 1,345,246.77	$ 960,471.55
Refunds (Deduct)	1,367.11	1,261.27	5,672.68	3,846.79
Net Receipts	$ 680,529.30	$ 1,334,212.14	$ 1,339,574.09	$ 956,624.76
MANUFACTURING:				
Clothing—Cloth—Notions	$ 23,492.48	40,384.36	48,095.38	40,304.36
Iron—Steel	72,162.43	172,752.61	232,509.29	197,730.25
Furniture—Mattresses	5,956.04	7,014.41	8,727.88	9,766.77
Glass	49,299.46	98,981.32	95,912.66	96,119.95
Wood Products	6,115.90	10,992.29	11,215.35	10,692.88
Newspaper Publishers	4,175.08	6,776.21	7,352.91	8,289.84
Paints—Varnishes	236.72	494.15	356.03	311.68
Flour—Feed—Millers	8,157.68	12,192.09	14,025.70	14,419.28
Soft Drinks	2,171.66	3,406.23	4,836.14	4,135.04
Job Printing	2,506.24	3,823.35	4,641.93	4,484.38
Lumber—Saw and Planing Mills	28,495.84	53,361.12	69,401.29	61,200.42
Paper Products	4,316.24	6,426.09	9,417.30	9,894.26
Potteries	3,621.91	5,329.71	6,663.62	5,992.80
Machinery and Tools	1,995.15	3,568.51	7,036.58	6,384.87
China (Including Decorating)	9,068.44	10,831.71	15,781.90	14,586.28
Refiners of Petroleum—Gasoline	14,913.07	28,578.87	29,843.45	28,911.05
Chemicals—Dyestuffs	14,910.11	33,762.45	32,920.77	35,644.80
Bakers	7,802.33	11,819.33	14,819.80	15,269.93
Brass Goods—Tin—Enamelware	5,840.93	14,005.87	20,103.55	21,060.74
Shoes	2,306.77	3,226.38	3,024.60	3,795.88
Tanners	8,366.69	16,018.43	14,410.49	14,619.33
Boxes—Crates	1,142.20	3,589.66	3,327.05	4,253.38
Tobacco—Tobacco Products	10,220.33	14,699.08	15,435.93	14,969.63
Ice	2,535.15	3,583.48	4,416.31	4,142.20
Sand—Clay Products—Stone—Lime	9,164.48	18,301.27	22,541.40	20,926.42
Electric Power and Light	17,444.48	26,867.76	31,458.96	31,288.88
Mine Cars—Elevators	849.14	1,038.53	861.64	472.69
Ice Cream—Candy	3,569.97	5,966.29	7,933.46	6,634.96
Carbon—Carbon Products	4,028.06	7,361.25	10,448.77	8,189.17
Meat Packers	4,695.98	8,812.77	9,427.04	12,093.83
Food—Dairy Products—Provisions	2,746.15	3,845.51	5,321.71	5,043.37
Plumbing—Heating—Water—Gas Supplies	1,138.61	2,185.78	1,813.44	2,179.21
Fiber Products—Brooms, Etc.	396.38	793.06	912.02	664.99
Rubber	1,250.31	4,254.39	3,143.07	1,734.89
Leather Goods—Harness, Etc.	526.42	494.31	701.60	457.48
Electric Supplies	555.46	896.49	1,416.21	328.94
Oil Well Supplies	2,873.39	5,310.29	4,867.18	4,390.54
Coke—By-Products	932.91	5,847.02	6,468.97	5,533.15
Automobiles—Wagons—Parts	111.53	355.61	546.71	324.30
Gross Receipts	340,092.12	657,948.09	782,138.09	727,842.82
Refunds (Deduct)	678.73	1,084.93	2,125.06	1,962.45
Net Receipts	339,413.39	656,863.16	780,013.03	725,880.37
SELLING TANGIBLE PROPERTY: (Except by Wholesalers)				
Department Stores	28,229.55	38,829.67	48,862.65	44,502.88
Variety Stores				424.37
Clothing and Furnishings	19,547.00	32,388.84	43,495.78	38,482.22
Lumber	13,449.16	20,169.02	25,846.51	23,712.90
Jewelers	3,295.74	4,716.60	6,333.17	5,484.84
Grocers and Fruit Dealers	27,323.95	41,436.04	60,102.65	62,839.91
Dry Goods and Notions	13,457.48	19,914.08	26,365.72	24,407.46
Furniture and Undertaking	11,954.54	21,956.76	27,164.23	24,348.82
Meats—Fish—Oysters	7,088.79	11,718.76	13,810.01	12,696.18
Real Estate (Not on Commission)	1,192.03	6,489.09	12,669.94	11,344.73
General Merchandise	54,488.41	85,960.21	95,037.29	84,806.26
Millinery and Dressmaking	347.30	702.13	1,013.43	835.95
Wall Paper—Paints—Glass	911.60	1,632.57	2,435.10	2,356.10
Tobacco	1,512.24	1,923.49	2,567.31	2,353.63
Hardware—Barber Supplies	10,149.16	15,152.93	18,720.89	18,017.91
Feed—Grain—Produce—Flour—Poultry	5,764.76	8,782.90	10,885.76	12,027.81
Confectionery—Soft Drinks—Waters	1,832.02	2,388.64	3,788.77	4,182.04
Plumbers—Heating Supplies	3,439.20	5,068.50	7,536.78	7,055.03
Autos—Bicycles—Sports Goods, Etc.	24,627.06	43,820.60	69,078.38	60,676.85
Drugs	10,143.08	14,751.86	18,773.78	18,269.55
Oil Well Supplies	2,306.00	3,735.83	3,535.30	2,867.72
Office Supplies—Equipment	983.04	1,374.48	1,621.40	1,588.41
Shoes	4,899.63	7,947.69	9,138.01	9,230.69
Florists	637.04	1,021.75	1,789.29	1,413.98
Electrical Supplies	1,342.63	1,182.54	2,780.80	2,544.99
Building Supplies	3,978.75	5,545.38	7,547.47	8,175.31
Specialties—Add. Machines—Typewriters—Sewing Machines	1,341.94	2,402.03	3,085.34	2,324.54
Dental Supplies	179.34	223.58	305.45	343.80
Photographic Supplies	1,905.13	3,116.19	3,788.01	3,845.41
Food Products—Dairy Products	1,702.67	2,585.56	3,379.58	4,698.13
Machinery	604.46	1,752.67	1,991.29	1,587.94
Pianos—Musical Instruments	2,435.53	4,170.49	5,535.46	4,294.93

TABLE XIV-12: GROSS SALES TAX RECEIPTS—BY CLASSES
FROM JULY 1, 1921, TO JUNE 30, 1925—(Continued)

CLASS	Year Ended June 30, 1922	Year Ended June 30, 1923	Year Ended June 30, 1924	Year Ended June 30, 1925
Explosives—Chemicals	444.57	907.61	837.29	659.23
Wood Products—Cork	112.63	139.27	165.58	232.93
Ice—Wood—Coal Dealers	1,098.29	1,809.87	2,164.95	1,811.02
Distributors Electric Energy and Natural Gas	1,904.32	2,844.59	3,156.03	2,321.79
China and Glassware	67.74	99.24	113.02	102.04
Oil and Gasoline	405.57	1,793.42	4,569.82	4,923.70
Stock Dealers	899.30	1,721.14	898.83	539.32
Orchards—Nurseries	234.31	.....	.....	.....
Farmers—Live Stock Dealers	498.72	.....	.....	.....
Junk Dealers	24.15	353.11	524.70	433.85
Casual Sales	3,656.69	21,066.20	37,196.54	706.66
Real Estate	.....	.....	.....	29,404.50
Gross Receipts	270,415.52	443,595.33	588,602.31	542,866.33
Refunds (Deduct)	800.47	1,418.27	1,846.33	3,525.19
Net Receipts	269,615.05	442,177.06	586,755.98	539,341.14
SELLING TANGIBLE PROPERTY: (By Wholesalers)				
Oil—Gas—Electric—Plumbing and Heating Supplies	970.52	1,932.13	1,683.90	1,866.81
Coal Jobbers	501.06	1,553.39	845.41	571.48
Hardware	4,746.43	8,464.05	9,697.47	8,659.22
Groceries—Meats	10,937.56	18,030.54	20,552.97	19,713.92
Dry Goods—Notions—Furnishings	4,680.91	5,723.77	7,083.21	5,153.33
Drugs	755.52	970.21	1,688.05	1,483.66
Feed—Flour—Grain—Produce—Fruits	3,883.22	5,525.72	6,109.64	6,785.71
Shoes	477.85	675.70	959.13	962.64
Confectioners	1,055.35	1,112.51	2,053.44	1,704.93
Furniture	277.16	996.84	1,044.91	815.84
Mill and Mine Supplies	1,002.01	2,689.13	2,766.62	2,744.92
Lumber	1,066.90	1,614.79	1,617.20	1,559.70
Tobacco—Tobacco Products	164.35	427.67	674.08	631.49
Autos—Auto Accessories	190.44	544.75	848.41	921.33
General Merchandise	404.05	516.98	42.80	.....
Leather	210.85	297.73	389.88	276.47
Paper Products—Paper	239.30	438.20	960.69	994.61
Glass—China	31.02	4.73	193.96	25.17
Builders' Materials—Electrical Supplies	69.10	277.18	2.40	636.23
Clothing	50.34	36.71	257.61	182.47
Jewelers	2.68	12.03	24.21	9.68

Beverages—Mineral Water	53.32	47.83	1.70	.....
Power and Light	54.86	75.72	74.00	38.00
Chemicals—Explosives	.....	664.87	533.16	506.80
Junk	.....	1.50	6.57	15.70
Gasoline—Oil	.....	17.74	2,135.62	1,894.97
News Dealers	.....	.....	79.61	.....
Barber Supplies	.....	.....	11.61	.....
Gross Receipts	31,824.80	52,652.42	62,338.26	58,155.08
Refunds (Deduct)	462.72	248.25	470.57	1,825.24
Net Receipts	31,362.08	52,404.17	61,867.69	56,329.84
ENGAGING IN BUSINESS BY BANKS AND CERTAIN PUBLIC UTILITIES:				
Banks—Saving and Loan	13,006.98	20,728.60	22,946.56	23,865.22
Railroads—Express—River	45,843.39	67,989.25	76,384.73	65,235.66
Water Companies	4,349.89	5,806.79	7,357.15	7,820.39
Telephone and Telegraph Companies	5,374.16	8,038.66	8,815.95	9,284.99
Gross Receipts	68,574.42	102,563.30	115,404.39	106,206.26
Refunds (Deduct)	298.04	703.51	60.35	1,160.36
Net Receipts	68,276.38	101,859.79	115,344.04	105,045.90
ENGAGING IN BUSINESSES AND PROFESSIONS NOT INCLUDED IN PREVIOUS SECTIONS				
Hotels—Restaurants	12,676.04	17,470.22	23,429.59	21,229.63
Renting Buildings	1,102.27	2,664.67	3,469.68	2,957.86
Contractors—Architects	20,108.26	36,071.97	56,017.15	54,476.35
Theatres—Motion Pictures	3,881.57	5,327.55	8,583.05	8,262.91
Garage—Gasoline Stations—Taxis	6,544.04	11,278.41	20,809.91	22,630.47
Leasing Lands	5,481.06	11,762.19	11,718.39	12,468.27
Painting and Decorating	264.96	975.99	618.46	783.60
Insurance Agencies	3,548.71	5,564.57	8,024.64	7,381.18
Machine Shops	522.50	1,069.28	2,114.95	1,245.19
Laundries—Shoe Repairing—Dry Cleaners	2,459.22	3,825.89	5,856.09	6,308.61
Real Estate and Sales Agents	6,535.65	6,545.28	5,790.87	3,994.54
Bridge Companies—Ferries	525.49	820.69	813.75	569.62
Engineers—Geologists	784.10	917.25	894.87	622.12
Holding and Investment Companies	1,690.58	747.71	4,210.85	3,260.92
Hospitals—Training Schools	894.17	1,514.09	2,418.74	2,121.58
Optometrists	110.20	108.08	273.88	159.24
Brokers—Manufacturers' Agents and Commission Agents	1,068.46	2,285.75	2,282.04	2,789.56
Natural Gas Distributors—Heat and Light	402.32	717.56	638.04	1,853.79
Coal and Coke Sales Agencies—Brokers	730.03	3,144.04	2,262.71	2,444.38
Lawyers—Shorthand Reporters	897.07	2,255.51	3,002.40	3,336.92

TABLE XIV-12: GROSS SALES TAX RECEIPTS—BY CLASSES FROM JULY 1, 1921, TO JUNE 30, 1925—(Continued)

CLASS	Year Ended June 30, 1922	Year Ended June 30, 1923	Year Ended June 30, 1924	Year Ended June 30, 1925
Pool—Billiards—Concessions	1,056.45	1,417.22	2,026.76	1,989.91
Physicians—Surgeons—Osteopaths	1,212.25	1,960.45	2,611.73	2,658.53
Barber Shops—Beauty Parlors—Chiropodists	143.95	294.45	395.53	400.81
Mercantile Agencies	.....	.....	.....	334.23
Photographers—Photo Engravers—Supplies	45.58	130.46	292.53	336.79
Loan Companies—Pawn Brokers	257.07	720.87	1,262.77	1,250.89
Accountants—Auditors	161.34	183.15	331.04	426.65
Advertising—Bill Posting Companies	350.29	392.18	742.89	850.25
Schools	50.52	432.99	185.16	259.41
Blacksmiths—Wagons and Parts	68.50	122.64	212.65	131.73
Detective Agencies	.....	224.87	486.66	4.68
Orchardists	.....	1,021.92	1,510.40	890.19
Farmers	.....	.....	128.04	769.91
Rents—Royalties From Patents—Machinery, Etc.	.....	890.64	1,183.62	166.17
Architects—Engineers—Blue Prints	.....	2.25	3.59	104.11
Gross Receipts	73,572.65	122,860.79	174,603.43	169,470.00
Refunds (Deduct)	389.57	2,010.38	2,182.11	1,592.89
Net Receipts	73,183.08	120,850.41	172,421.32	167,877.11
Recapitulation:				
GRAND TOTAL, GROSS RECEIPTS	$ 1,466,375.92	$ 2,715,093.34	$ 3,068,333.25	$ 2,565,012.04
GRAND TOTAL, REFUNDS (DEDUCT)	3,996.64	6,726.61	12,357.10	13,912.92
GRAND TOTAL, NET RECEIPTS	$ 1,462,379.28	$ 2,708,366.73	$ 3,055,976.15	$ 2,551,099.12

TABLE XIV-13: GROSS SALES TAX RECEIPTS FROM JULY 1, 1925, TO JUNE 30, 1930—BY CLASSES

CLASS	Year Ended June 30, 1926	Year Ended June 30, 1927	Year Ended June 30, 1928	Year Ended June 30, 1929	Year Ended June 30, 1930
PRODUCTION OF MINERALS AND TIMBER:					
Coal Production	$ 977,057.25	$ 1,185,963.09	$ 1,024,210.46	$ 946,927.62	$ 930,931.01
Production of Clay—Sand, Etc.	30,038.92	32,312.07	30,331.71	29,566.75	31,914.94
Oil and Gas Production	154,415.54	706,223.05	617,348.08	525,753.28	523,524.27
Timber Production	5,418.32	25,431.52	31,458.70	32,569.30	32,752.85
Gross Receipts	1,166,930.03	1,949,929.73	1,703,348.95	1,534,816.95	1,519,123.07
Refunds (Deduct)	10,245.45	4,479.92	5,380.64	6,997.46	9,754.96
Net Receipts	1,156,684.58	1,945,449.81	1,697,968.31	1,527,819.49	1,509,368.11
MANUFACTURING:					
Clothing—Cloth—Notions	$ 42,283.06	$ 39,798.00	$ 40,767.45	$ 40,458.60	$ 37,797.27
Iron and Steel	229,263.32	229,286.84	218,278.49	263,436.23	272,644.12
Furniture—Mattresses	9,498.94	9,466.45	8,372.57	7,835.82	6,487.44
Glass	102,146.04	106,132.39	95,563.99	104,514.35	101,125.36
Wood Products	13,411.45	13,934.08	19,472.22	33,909.23	43,059.36
Newspaper Publishers	9,441.54	9,687.36	9,975.72	10,583.98	11,006.57
Paints—Varnishes	544.92	402.71	442.67	313.14	417.26
Flour—Feed—Millers	13,765.78	11,993.36	13,021.67	10,168.09	12,756.86
Soft Drinks	4,799.67	5,344.49	5,368.69	4,741.26	4,904.97
Job Printing	4,115.96	4,695.41	6,019.29	5,287.03	4,998.38
Lumber—Saw and Planing Mills	70,152.92	50,493.23	39,388.74	37,477.54	37,734.24
Paper Products	9,904.90	10,507.15	12,480.99	13,187.53	16,214.77
Potteries	5,037.20	5,118.07	5,489.12	8,794.84	8,837.45
Machinery—Tools	6,426.96	8,528.66	10,289.87	10,641.62	14,393.74
China (Including Decorating)	12,940.51	15,056.42	16,310.41	19,975.95	20,822.13
Refineries of Petroleum—Gasoline	49,320.52	39,337.24	39,371.57	48,442.27	47,600.31
Chemicals—Dye Stuffs	47,057.87	49,203.24	41,488.25	43,787.32	52,973.84
Bakers	19,618.52	20,376.65	21,203.56	22,758.32	22,499.02
Brass Goods—Tin—Enamelware	30,536.05	31,693.84	33,793.98	38,790.60	45 506.72
Shoes	4,342.24	4,336.22	4,316.08	4,114.96	4,264.18
Tanners	14,487.46	15,100.38	14,832.77	12,437.41	12,486.36
Boxes—Crates	4,559.93	4,768.23	6,049.36	6,407.01	5,200.42
Tobacco Products	15,662.87	15,633.09	15,724.71	16,259.25	16,413.27
Ice	5,610.32	5,379.36	4,813.68	4,851.25	5,189.24
Sand—Clay Products—Stone—Lime	22,397.32	22,647.67	21,324.26	20,935.18	19,869.38
Electric Power—Light	40,020.25	11,061.75	9,847.20	8,837.31	8,551.43
Mine Cars—Elevators	1,069.79	1,005.73	645.33	527.33	588.64
Ice Cream—Candy	6,912.58	6,865.02	6,557.58	5,329.83	4,777.65
Carbon—Carbon Products	13,086.55	7,058.87	36,253.13	13,400.55	9,233.67
Meat Packers	10,871.20	5,788.91	8,034.66	13,704.94	9,105.07
Food—Dairy Products—Provisions	7,958.36	10,099.59	10,557.34	9,903.56	12,397.41
Plumbing—Heating—Water—Gas Supplies	2,058.08	1,711.64	1,396.38	1,119.37	664.24

TABLE XIV 18: GROSS SALES TAX RECEIPTS FROM JULY 1, 1925, TO JUNE 30, 1930—BY CLASSES—(Continued)

CLASS	Year Ended June 30, 1926	Year Ended June 30, 1927	Year Ended June 30, 1928	Year Ended June 30, 1929	Year Ended June 30, 1930
Fiber Products—Brooms, Etc.	787.79	596.34	694.47	665.61	887.23
Rubber	2,001.01	2,928.61	3,001.99	474.17	334.40
Leather Goods—Harness, Etc.	495.41	308.10	268.89	271.50	255.73
Electrical Supplies	806.93	869.04	1,892.56	1,110.33	1,378.89
Oil Well Supplies	5,167.92	9,554.26	4,329.17	7,175.33	6,896.36
Coke By-Products	7,121.62	6,377.84	4,963.63	4,541.30	5,441.60
Automobiles, Wagons, Parts	398.43	483.93	171.27	200.04	169.94
Gross Receipts	846,082.19	793,430.17	792,973.71	857,369.95	885,984.92
Refunds (Deduct)	3,953.91	2,215.05	4,658.65	1,607.79	2,752.66
Net Receipts	842,128.28	791,215.12	788,315.06	855,762.16	883,232.26
SELLING TANGIBLE PROPERTY: (Except by Wholesalers)					
Department Stores	47,578.17	47,988.05	50,696.02	54,614.72	52,333.38
Variety Stores	773.19	1,085.84	1,235.75	1,320.08	1,772.86
Clothing and Furnishings	38,797.23	41,025.64	39,669.03	36,815.87	36,357.37
Lumber	20,991.62	18,079.81	16,981.56	16,586.66	15,092.44
Jewelers	5,583.15	6,289.89	6,421.81	5,428.68	6,289.35
Grocers and Fruit Dealers	71,383.62	82,245.05	86,043.72	93,987.25	91,918.63
Dry Goods and Notions	26,092.64	24,855.29	23,251.75	22,218.29	21,687.01
Furniture and Undertaking	25,563.95	25,001.28	20,819.82	19,009.65	20,013.93
Meats—Fish—Oysters	13,897.92	14,388.17	14,872.40	13,618.73	12,597.81
Real Estate (Not on Commission)	7,988.95	7,970.90	6,225.28	5,685.83	3,637.67
General Merchandise	93,299.46	98,057.66	93,707.78	92,574.92	88,645.16
Millinery and Dressmaking	717.73	818.11	1,031.56	1,216.71	1,428.71
Wall Paper—Paints—Glass	1,860.09	1,721.21	1,935.39	1,451.81	1,722.88
Tobacco	2,423.44	2,693.17	2,339.42	2,044.56	1,712.45
Hardware—Barber Supplies	16,438.09	16,350.81	16,721.54	15,461.09	14,795.88
Feed—Grain—Produce—Flour—Poultry	13,341.10	13,962.79	14,093.09	12,322.18	12,280.74
Confectionery—Soft Drinks—Waters	4,040.13	4,102.39	4,304.47	3,994.55	3,886.35
Plumbers—Heating Supplies	7,701.26	2,919.33	1,487.41	289.39	57.87
Autos—Bicycles—Sports Goods, Etc.	78,702.00	98,073.48	93,634.26	97,758.68	100,773.83
Drugs	19,265.63	19,529.82	19,276.93	19,336.35	18,961.00
Oil Well Supplies	2,787.39	4,706.91	3,494.09	3,592.73	3,588.73
Office Supplies—Equipment	1,779.71	2,094.15	2,160.22	1,722.33	2,044.42
Shoes	8,074.26	9,138.96	8,621.05	8,871.13	8,949.86
Florists	1,730.34	452.52	622.24	1,231.04	893.78
Electrical Supplies	4,760.69	3,487.60	3,675.03	3,309.02	3,741.81
Builders' Supplies—Roofing—Sand—Gravel	5,472.29	5,338.71	5,456.09	4,930.21	4,442.76
Specialties—Sew. Mach's.—Add.Mach's.—Typewriters	2,732.39	3,364.78	3,893.38	2,848.88	2,787.45
Dental Supplies	341.43	306.30	363.53	341.56	412.52

Books—Stationery—Photo. Supplies—News Stands	3,672.91	3,470.96	3,478.16	3,201.77	3,270.68
Food Products—Dairy Supplies	2,195.35	1,504.46	1,125.05	1,004.38	1,026.39
Machinery—Farm Implements	1,544.67	1,858.05	2,313.38	3,565.54	4,082.97
Pianos—Musical Instruments	4,138.26	5,627.18	4,405.81	3,692.25	2,982.12
Explosives—Chemicals	1,039.51	1,218.82	1,428.76	1,513.59	851.96
Wood Products—Cork—Woodenware	118.14	79.53	94.04	123.65	261.79
Ice and Coal Dealers	1,857.90	1,901.91	1,662.32	2,100.84	2,420.36
Distributors Electrical Energy—Natural Gas—Oil	278.03	131.55	.....	10.46	.....
China—Glassware—Antiques	291.25	133.10	229.51	282.13	219.47
Oil and Gasoline Products—Filling Stations	6,780.77	7,794.19	9,085.25	10,736.41	13,304.14
Stock Dealers—Wool Dealers	427.50	595.65	619.34	453.15	517.45
Junk Dealers	766.01	1,356.56	418.13	495.67	591.94
Trunks—Leather Goods	.....	70.00	118.08	111.11	161.63
Casual Sales	126.69	.....	.....	.....	.....
Real Estate Sales	15,847.96	2,798.01	1,255.52	99.80	300.00
Gross Receipts	563,202.82	584,593.59	569,067.97	569,973.65	562,817.55
Refunds (Deduct)	7,803.51	4,338.52	6,891.21	5,321.11	4,204.75
Net Receipts	555,399.31	580,255.07	562,176.76	564,652.54	558,612.80
SELLING TANGIBLE PROPERTY: (By Wholesalers)					
Oil—Gas—Electric—Plumbing and Heating Supplies	1,908.83	2,777.32	2,587.94	2,438.30	2,938.42
Coal Jobbers	570.65	2,074.61	2,355.21	1,057.43	754.47
Hardware	7,980.18	8,644.09	7,256.51	6,058.06	6,213.75
Groceries—Provisions—Biscuits—Cakes—Meats	27,340.86	32,469.48	30,355.53	29,162.82	28,292.48
Dry Goods	6,533.96	7,622.24	6,978.69	6,180.15	6,344.75
Drugs—Optical Supplies—Photographic Supplies	1,411.15	1,756.86	1,885.41	1,566.27	1,694.99
Fruits—Produce—Grain—Feed—Flour	6,772.13	9,353.42	8,573.30	8,532.29	8,129.78
Shoes	800.95	1,339.43	1,132.97	722.33	755.34
Confectioners	1,768.99	2,791.37	2,934.28	2,741.25	2,514.61
Furniture—Pianos—Musical Instru.—Funeral Supplies	1,195.33	1,184.18	1,427.35	1,326.06	1,914.76
Mine and Mill Supply Machinery	4,616.36	3,938.32	4,713.05	4,286.06	4,212.86
Lumber	2,845.35	3,625.90	3,296.42	3,040.10	2,895.01
Tobacco and Tobacco Products	869.80	1,860.50	1,727.58	1,095.11	1,718.82
Autos and Auto Accessories—Tires	1,327.98	1,052.74	1,880.42	1,615.84	1,349.35
General Merchandise	185.04	1,001.34	484.74	762.62	1,256.82
Leather and Leather Goods—Rubber	440.84	717.03	860.90	732.19	570.58
Paper and Paper Products	822.67	1,000.67	873.26	659.84	762.52
Glass and China	6.17	168.82	26.40	32.53	17.94
Builders' Materials	74.64	132.15	317.79	695.66	441.10
Clothing	286.42	314.71	378.91	258.98	272.74
Jewelers	.....	12.73	2.21	.....	.....
Beverages—Mineral Waters—Milk	4.27	16.81	36.82	283.19	949.56
Power—Light	98.72	177.42	.....	59.53	46.89
Explosives—Chemicals	378.86	641.22	511.22	482.49	986.33
Junk	56.45	590.64	740.65	793.04	1,083.07

TABLE XIV 13: GROSS SALES TAX RECEIPTS FROM JULY 1, 1925, TO JUNE 30, 1930—BY CLASSES—(Continued)

CLASS	Year Ended June 30, 1926	Year Ended June 30, 1927	Year Ended June 30, 1928	Year Ended June 30, 1929	Year Ended June 30, 1930
Gasoline—Oil—Petroleum	4,032.77	5,089.50	5,904.96	5,199.78	5,702.29
News Dealers	316.91	198.76	299.13	233.97	130.91
Paints	1.42	.....	5.22	49.89	.....
Barber Supplies	78.42	52.40	52.40	32.41	38.88
Gross Receipts	72,726.12	91,204.66	87,599.27	80,098.69	81,989.02
Refunds (Deduct)	1,067.92	2,331.47	2,618.36	971.77	475.97
Net Receipts	71,658.20	88,873.19	84,980.91	79,126.92	81,513.05
ENGAGING IN BUSINESS BY BANKS AND CERTAIN PUBLIC UTILITIES:					
Banks—Savings and Loan	31,663.59	36,372.77	36,403.02	35,377.09	33,465.08
Steam Railroads	151,216.67	178,977.70	177,370.84	145,044.13	138,305.20
Car Lines	456.77	456.54	414.03	341.65	1,090.22
Express Companies	5,499.71	6,250.88	5,315.11	3,851.88	3,213.13
Street Railways	14,743.89	14,118.65	13,942.31	12,010.39	10,037.34
Bus Lines	2,804.46	5,795.83	8,426.64	7,690.41	8,487.90
Steamboats	8.03	27.32	230.71	518.62	299.46
Ferries	118.07	180.25	264.19	95.05	91.07
Bridges	982.33	1,298.16	1,192.88	1,098.50	1,350.76
Pipe Lines	3,045.93	3,496.15	3,284.72	3,686.26	4,145.43
Telegraph Companies	628.58	768.22	718.44	674.29	687.45
Telephone Companies	24,201.88	31,141.67	32,944.00	33,840.84	35,589.27
Water Companies	2,947.03	5,016.85	6,338.65	7,013.24	7,467.37
Light and Power Companies	61,084.78	113,503.97	112,840.93	108,705.53	115,163.28
Natural Gas Distributors	.....	7,684.79	5,683.98	5,456.73	7,535.48
Gross Receipts	299,401.72	405,089.75	405,370.45	365,404.61	366,928.44
Refunds (Deduct)	1,418.88	2,582.31	6,090.80	5,342.65	625.84
Net Receipts	297,982.84	402,507.44	399,279.65	360,061.96	366,302.60
ENGAGING IN BUSINESS NOT INCLUDED IN PREVIOUS SECTIONS:					
Hotels—Restaurants	26,431.46	34,998.02	34,236.53	32,115.01	30,817.66
Renting Buildings	4,238.87	4,303.63	5,815.35	5,687.19	6,675.52
Contractors	79,318.86	85,456.86	84,403.68	82,736.64	97,922.37
Theatres—Motion Pictures	27,525.34	43,757.59	43,341.56	39,475.47	50,129.05
Garages—Taxies	21,352.50	13,166.65	9,839.00	8,527.79	7,938.03
Leasing Lands	18,032.66	19,993.09	17,657.99	17,338.34	19,404.38
Painting—Decorating	1,024.86	1,122.06	724.86	791.42	848.10

Insurance Agencies	8,804.96	10,221.64	10,819.22	10,522.24	16,864.25
Machine Shops	2,029.66	3,126.81	4,377.89	4,002.80	4,606.88
Laundries—Shoe Repairing—Dry Cleaning	8,198.01	12,359.06	13,246.98	14,022.64	13,876.57
Real Estate and Sales Agencies	4,661.10	3,361.22	2,414.66	2,204.45	2,100.08
Harbors—Dry Docks	1,041.36	338.28	7.34	40.58	2.92
Engineers—Geologists	1,255.67	48.70	.....	.....	100.41
Holding and Investment Companies	4,176.81	6,529.56	4,841.93	7,620.23	7,645.62
Hospitals—Training Schools	3,771.35	4,272.21	4,761.66	4,721.49	5,538.76
Optometrists	301.37	46.19	52.76	22.45	17.06
Brokers—Manufacturers—Agents, Etc	4,536.49	4,776.54	3,966.13	4,542.75	4,714.09
Natural Gas Distributors—Heat and Light	2,491.48	371.25	26.59	.....	.....
Coal and Coke Sales Agencies—Brokers	3,550.38	4,459.22	3,897.37	3,832.20	3,757.18
Lawyers—Shorthand Reporters	2,419.81	76.89	2.16	.....	.....
Pool—Billiards—Concessions	2,338.11	2,448.55	3,351.94	2,857.67	3,204.18
Physicians—Surgeons—Osteopaths	1,743.26	124.72	15.01	.....	.....
Barber Shops—Beauty Parlors—Chiropodists	533.43	520.75	496.23	364.70	342.95
Mercantile Agencies	582.72	460.05	277.87	493.01	911.09
Photographers—Photo Engravers—Supplies	332.77	152.65	180.09	118.11	115.65
Loan Companies—Pawn Brokers	1,914.33	2,551.10	2,429.38	2,712.46	4,089.29
Accountants—Auditors	259.11	.....	106.43	.....	.....
Advertising—Bill Posting Companies	1,222.21	1,485.95	2,344.09	2,325.01	2,682.12
Schools	168.34	313.11	459.17	308.42	761.39
Blacksmiths—Wagon Parts	164.41	179.68	159.19	61.65	126.04
Contractors (Mixed)	.....	.....	181.12	727.97	715.81
Undertakers	.....	.....	2,721.84	4,627.20	4,796.99
Furniture—Installment	.....	.....	2,256.48	3,997.03	2,711.45
Granite and Monument Works	.....	.....	479.77	1,121.18	1,307.95
Orchards—Nurseries—Florists	965.78	2,306.09	4,526.05	3,081.27	3,826.73
Farmers—Live Stock Dealers	1,162.37	1,216.50	2,173.66	2,196.40	1,719.35
Rents—Royalties on Pat. Machines—M. P. Films—Fairs	220.48	417.40	1,742.38	1,467.00	2,151.82
Architects—Blue Prints	31.84	18.21	60.43	37.42	12.82
Plumbing and Heating Contractors	.....	6,393.02	6,957.26	8,753.41	7,279.50
Tinners and Roofers	.....	993.44	1,179.77	1,076.85	955.61
Detective Agencies	22.15	.....	.....	.....	.....
Gross Receipts	236,824.31	272,366.69	276,631.82	274,530.45	310,669.67
Refunds (Deduct)	1,524.70	4,524.13	4,274.49	5,321.21	4,967.74
Net Receipts	235,299.61	267,842.56	272,357.33	269,209.24	305,701.93
Recapitulation:					
GRAND TOTAL, GROSS RECEIPTS	$ 3,185,167.19	$ 4,096,614.59	$ 3,834,992.17	$ 3,682,194.30	$ 3,727,512.67
GRAND TOTAL, REFUNDS (DEDUCT)	26,014.37	20,471.40	29,914.15	25,561.99	22,781.92
GRAND TOTAL, NET RECEIPTS	$ 3,159,152.82	$ 4,076,143.19	$ 3,805,078.02	$ 3,656,632.31	$ 3,704,730.75

TABLE XIV—14: STATE SALES TAX COLLECTIONS, RECENT DATA[a]

STATE	COMMODITY	1928	YIELD 1929	1930
Alabama[b]	Cigars, Cigarettes, Cheroots, and Substitutes	$ 912,254[g]	$1,278,660	$1,263,664
Arkansas[c]	Cigars and Cigarettes	715,732	1,039,417	1,333,021
Iowa[d]	Cigarettes	1,101,423	1,247,997	1,371,583
South Carolina[e]	Business License, Documentary, Admissions, Soft Drinks, Bottled Drinks, Total	3,727,666	3,902,245	3,655,626
South Dakota[f]	Cigarettes and Malt	398,019	522,394	303,874[h]

a—Received while this Report was in press.
b—Letter from State Tax Commission, January 22, 1931.
c—Commissioner of Revenue, Biennial Report, 1928-30, p. 6.
d—Letter from State Auditor, January 13, 1931. The tax on tobacco and tobacco products brought in approximately $2,154,911 in 1928; $2,289,835 in 1929; $2,181,925 in 1930.
e—Letter from State Tax Commission, January 16, 1931.
f—Letter from State Department of Finance, January 14, 1931. The tax on malt yielded about $34,403 in 1929; and $12,346 in six months of 1930.
g—For nine months.
h—For six months.

INDEX

Aberdeen Savings and Loan Assn. v. Chase (Wash.) 251
Ability to pay (*See* Incidence, Inheritance tax, Motor vehicle tax, Sales tax)
Adams, T. S., cited, 147
Administration, centralized supervision of, 170-97; gasoline tax, 344; general property tax, 1, 170-97; income tax, 257, 261; inheritance tax, 307; motor vehicle registration fees, 357; property tax, 1, 23; remedies, W. Va., 22, 29, 172, 297; sales tax, 20, 203, 209, 232. (*See also* Assessors, Tax commission, Reassessment)
Ad valorem appraisal, coal lands, 72, 197, 212; forests, 391; iron ore, 152. (*See also* General property tax)
Agg, T. R., and Brindley, J. E., cited 373-74
Agricultural products, classification, 161, 164; net and gross income, 222
Aid (*See* Federal aid, State aid)
Alabama, forests, 400, 404, 405; inheritance tax, 309, 311-13; motor vehicles, 322, 327, 338, 342, 346, 348, 352, 358, 360, 363, 381, 384, 386, 388, 390; sales tax, 208, 242, 442
Ammunition, sales tax, 209
Amusements, net and gross income, 222; sales tax yields, 202, 236
Arizona, classification, 142; inheritance tax, 309, 311, 317; intangibles, 24, 310; motor vehicles, 322, 327, 338, 342, 345, 352, 358, 360, 383, 384, 388, 389, 390
Arkansas, income tax, 245, 248, 249, 250, 252, 254, 255, 256, 273, 274, 278, 279, 285, 289; motor vehicles, 322, 327, 338, 342, 346, 348, 352, 358, 360, 363, 381, 383, 384, 388, 389, 390; reciprocity, 310; sales tax, 208, 442; severance tax, 210
Assessment, accuracy, need of W. Va., 169; appraisers' report, coal, comparison with, 94-97; coal, 8, 58-106; conferences of assessors, 101; counties W. Va., 416; fractional value (*See* Classification); Hallanan plan, coal, 61, 73; intangibles, 141-69
Assessment, Krebs plan, coal, 61, 73; maps, 176; motor vehicles, 1929, 422; personal property by counties, 1929, 426; personal property, mines, 69, 413, 415, 426; public utilities, 413, 415; personal property standards, 71; real estate, 11-20, 29, 107-28, 169-97, 413; standards for coal lands, 72; (*See also* Administration, Coal, Real estate, Reassessment, Supervision)
Assessors, local, 173; manual, 180; need of information on coal, 66; Wisconsin income tax, 260
Auditor, fees, West Virginia, 3
Austria, sales tax, 207
Automobiles, inefficient assessment, 109, 324. (*See* Motor vehicles)

Baldwin v. Missouri, 305
Baltimore, road fund, 359
Banks, classification, 160; net and gross income, 222; property tax, 160; sales tax, 201-3, 236, 435, 440; separation, 135; stock, 160. (*See also* Intangibles, U. S. Supreme Court)
Belgium, sales tax, 207
Board of Public Works, 100, 228, 237
Bonded indebtedness, average per capita, 55; outstanding, 46; ratio to wealth, 56
Bonds, roads, 46, 55, 365-75
Bottled drinks (*See* Soft drinks)
Bridge companies, federal income tax, 238; income allocated to West Virginia, 238; property tax, 238; sales tax yield, 238
Brookmire Economic Service, cited, 48
Bullock, C. J., cited, 130
Business tax (*See* Occupation tax, Privilege tax)
Busses (*See* Motor vehicles)

California, banks, 135; forests, 404; gross earnings, 242; income tax, 245, 247, 257, 263; 278, 279; 289; inheritance tax, 309, 311-14, 316-18; insurance companies, 135; intangibles, 165, 310;

California (continued)
mortgages, 146; motor vehicles, 322, 327, 338, 342, 348, 352, 358, 360, 363, 381, 383, 386, 388, 389, 390; public utilities, 135; separation, 132, 134-39; special tax commission, 1929, 135
Canada, sales tax, 207
Candy, sales tax, 209
Capitol building fund, 3, 5, 428
Centralized administration (*See* Administration)
Chain stores, sales tax, 205, 210
Cigarette tax, 208, 209, 422
City property (*See* Real estate)
Classification, arguments for, 24, 166, 168; conclusions, 167; constitutional amendment recommended, 2; forests, 24; inadvisability of general classification for W. Va., 169; increased assessment, 166; land, 176; states having, 24, 142, 152, 165; types, 141. (*See also* Intangibles)
Clay, sales tax, 201, 203, 234-36, 437
Coal, sales tax, 234-35, 432, 437 (*See also* Sales tax, Severance tax)
Coal mines, assessment, 9, 58-106; map, 77 (*See also* Assessment, General property tax)
Collection, cost of (*See* Gasoline tax, General property tax, Inheritance tax, Intangibles, Sales tax)
Colorado, classification, 142; forests, 404, 405; inheritance tax, 309, 311-14, 316-18; intangibles, 24, 310; motor vehicles, 322, 326, 237, 339, 342, 346, 348, 352, 360, 363, 381, 384, 386, 388, 389, 390
Commission (*See* Road commission, Tax commission)
Conley, Governor, W. G., cited, 232
Connecticut, forests, 404, 405; gross earnings tax, 242; income tax, 245, 247, 262-64, 275, 276-84, 289; intangibles, 165, 310; manufacturing, 206; motor vehicles, 322, 327, 338, 342, 346, 348, 352, 358, 360, 363, 381, 383, 384, 388, 389, 390; sales tax, 206; separation, 135, 140
Constitutional amendments, classification, 1; bond issues, 365; income tax, 269
Consumption excise, 207 (*See also* Candy, Cigarettes, Cosmetics, Ice cream, Sales tax, Soft drinks, Tobacco)
Contracting, 202, 210, 236, 432, 437 (*See* Sales tax)
Corporation stocks and bonds, exemption W. Va., 149 (*See* Classification, Intangibles)
Corporations, license tax on charters, 3, 5 (*See* Banks, Income tax, Intangibles, Public utilities, Sales tax)
Cosmetics, sales tax, 208 (*See* Sales tax)
Cost of government (*See* Expenditures)
Counties, W. Va., revenues, 40, 125; road funds, 367, 390; school funds, 4; total taxes, 1928-29, 420-21

Debt limitation, 192
Depletion tax (*See* Severance tax)
Delaware, income tax, 245, 247, 248, 249, 250, 252, 254, 255, 256, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285; insurance tax, 309, 311-14; 316-17; intangibles, 310; motor vehicles, 322, 327, 338, 342, 346, 348, 352, 358, 360, 363, 381, 383, 384, 386, 388, 389, 390; sales tax, 206
Disbursements (*See* Expenditures)
District of Columbia, inheritance tax, 309; intangibles, 165; motor vehicles, 322, 326, 327, 353, 358, 361, 364
Double taxation, 25, 146, 169, 304, 310 (*See also* Classification, Inheritance tax, Intangibles)

Economic effect of taxes (*See* Incidence)
Education, expenditures, W. Va., 38, 39, 429; state aid, 5
Electric companies (*See* Public utilities)
Electricity, sales tax, 218
Equalization, commission needed, 31 (*See* Assessment, Reassessment)
Estate taxes (*See* Inheritance taxes)
Excise taxes, definitions, 198; measured by income, 272; substitute for sales tax, 2, 21, 272 (*See also* Sales tax)
Exemptions, forests, 392, income tax, 249; inheritance tax, 316; intangibles, 142, 147, 151, 310
Expenditures, various states, 47, 52; W. Va., comparative, 1915-30, 44, 54; estimated, 1931, 57; per capita, 1915-30, 53, 54; summary, 4, 7, 428
Extractive industries, incidence of sales tax, 223; special taxation, 26, 229 (*See also* Coal, Gas, Iron ore, Occupation tax, Sales tax, Severance tax)

Farmers' Loan and Trust Company v. Minnesota, 305
Farms, North Carolina, 431; W. Va., 11, 16, 111, 117; Wisconsin, 81.
Farm tools and machinery, Minnesota, 152
Federal estate tax credit, 306
Federal government, aid (for roads) W. Va., 7, 365
Federal income tax, bridge companies, 238; corporations, 221; railroads, 237; ratio of gross to net income, W. Va. and U. S. corporations, 239-40 (*See also* Income tax, federal)
Federal inheritance taxes, 292
Finances, W. Va., local, state, 3-9
First National Bank of Hartford, Wisconsin v. City of Hartford, 160
Florida, classification, 142; inheritance tax, 309, 311; intangibles, 24; motor vehicles, 322, 326, 327, 338, 342, 346, 348, 352, 358, 360, 363, 381, 384, 386, 388, 389, 390
Foods (*See* Consumption, Luxury taxes, Sales taxes, Salt)
Forests, ad valorem tax, 391; exemption, 392; growth, 396; products, 393; protection needed, 394; revenues, 400; special taxation, 168; special tax problems, 394; speculation, 401; state laws, 399, 404; tax burdens, 397; yield tax, 3, 26, 398
France, sales tax, 200, 207
Franchise (*See* Gross income, Intangibles, Public utilities, Sales)
Fountain drinks (*See* Soft drinks, Sales tax)

Game, Fish and Forestry Commission, 402; revenue, 3
Gas companies, 155, 201-4, 223, 437, 440 (*See* Public utilities, Sales, Severance tax)
Gasoline tax, 2, 21, 200 (*See also* Motor vehicles)
General property tax, administration, 1, 107-28; collections, 1-9, 125; forests, 391; intangibles, 142; motor vehicles, 319, 323 (*See also* Assessment, Centralized administration, Classification, Forests, Intangibles, Motor vehicles, Personal property, Real estate, Separation)
General sales tax (*See* Sales tax)
Georgia, income tax, 245, 247, 248, 249, 250, 254, 255, 256, 273, 274, 278, 279, 285, 289; inheritance tax, 309, 311-14; intangibles, 310; motor vehicles, 322, 326, 327, 338, 342, 346, 348, 352, 358, 360, 364, 381, 384, 386, 388, 389, 390; sales tax, 204, 208
Germany, sales tax, 206-7
Gilbert-Davis Coal Company, 8, 58, 94, 101
Great Britain, income tax, 256, 268, 270; inheritance tax, 292
Gross income, federal income tax compared with state tax, 228, 240; net comparisons with, 222, 228, 240; public utilities, 242; ratio to net, various industries, 222, 228, 240 (*See also* Sales tax)
Gross profits (*See* Gross sales)
Gross sales tax, excise as an alternative, 272 (*See* general discussion, Chap. IX); income tax as alternative, 269-70; receipts by classes, W. Va., 234, 432 (*See also* Sales tax)
Gross weight, motor vehicle taxes, 320

Haig, R. M., cited, 135
Hallanan plan, assessment of coal, 73
Harger, W. G., cited, 375
Highways (*See* Motor vehicle taxes, Roads)
Household furnishings, classification, 152, 157, 161 (*See also* Classification)

Ice cream, sales tax, 209
Idaho, classification, 142; forests, 400, 404, 406; inheritance tax, 309, 311, 316; intangibles, 24, 310; motor vehicles, 322, 327, 339, 342, 346, 352, 358, 360, 364, 381, 383, 386, 388, 390, 438
Illinois, forests, 404, 406; gross earnings, 242; inheritance tax, 294, 303, 309, 311, 316; in-

Illinois (continued)
tangibles, 310; motor vehicles, 322, 327, 339, 342, 346, 348, 352, 358, 360, 364, 381, 383, 384, 386, 388, 390
Incidence of taxes, monopoly goods, 155; mortgages, 145; sales tax, 212-23; severance tax, 155; stocks and bonds, 148-51
Income, estimated total and per capita, W. Va. and U. S., 48, 49
Income tax, federal, collections, compared with state, 260, 279; collections, corporations, 1921-30, 281; collections, individuals, 1921-30, 280; collections per capita, 1921-30, 282; history, 243
Income tax, state, administration, 257, 266; advisability of, 263; amount due from married person, various states, 274; amount due, single person, various states, 273; audit of returns, 260; chief features, 246; centralized supervision, 262; collection at the source, 261; collections by states, corporations, 259, 275; collections by states, individuals, 274; collections, total per capita, 284; comparative amounts, 255, 256; constitutionality, 251, 269; corporations, 247, 257; deductions allowed, 246; distribution, 263, 285-90; effect on industry, 266; elasticity, 257; exemptions, personal, 248, 285; federal yields compared, 260, 278, 279; flexible rates, 257; gross income, 246; gross sales, comparison with, 269; income as measure of excise tax, 272; indirect effects, 271; industries, effect on, 266, 273; intangibles, 25, 247, 249, 250, 253, 286-88; losses, 246; map of income tax states, 244; net income, 246; per capita collections, 277; personal property offset, 257; rates, 250, 252, 285-90; reasons for adoption, 246; relation to income of people, 276; relation to total revenues, 276; sales tax substitute, 221; stability of yield, 267; yield W. Va. might expect, 268 (*See also* under the name of each state)
Indebtedness (*See* Bonded indebtedness)
Indiana, forests, 400, 404, 406; motor vehicles, 322, 327, 339, 342, 346, 348, 352, 360, 364, 381, 384, 388, 390; tax commission, 171
Industries, effect on income tax, 266, 273
Inheritance tax, ability to pay, 298; administration, 307; amount due on estates of $50,000-$10,000,000, 313; arguments for, 297; changes, W. Va., 2, 21, 308; collections, 3, 5, 125, 303, 317; cost of collection, 304, 318; credit, Federal estate tax, 292, 306, 315; development, W. Va. estate tax, 292, 295, 301; exemptions, 306, 311; evasion, 307; federal estate tax, 292, 306; history, 293; insurance, 300, 308; justification for, 297; objections to, 299; rates, 306, 312; reciprocity, 294, 304, 310; recommendations, 2, 21, 308; states with inheritance tax only, or with no inheritance tax, or with both inheritance and estate taxes, 309. (*See also* under the name of each state)
Insurance, inheritance tax on, 300, 308
Insurance companies, W. Va. tax on, 3, 5
Intangibles, classes, 143, 162; classification, 21, 196, 141-69; constitutionality of low rate taxation, 160; corporate excess, 152; exemption, 147, 151, 310; evasion, 24, 142, 148; flat rate tax, 310; general property tax, 142, 168; income tax, 25, 150, 152, 168, 347, 349, 250, 253, 286-88; inheritance tax, 310; low rates, 24, 159-67; money and credits, 153, 161; mortgages, 25, 144, 153; non-representative, 149; non-residents, 310; stocks and bonds, 148; W. Va., 26, 168, 310; yield, low rate tax on, 166. (*See also* under the name of each state)
Interstate commerce, effect of limitations on taxing, 227
Iowa, forests, 400, 404, 406; intangibles, 310; motor vehicles, 322, 327, 339, 342, 346, 348, 352, 358, 360, 364, 381, 384, 386, 388, 389, 390; sales tax, 209, 442
Iron ore, 152, 210. (*See* Classification, Severance tax)

Jensen, J. P., cited, 223

Kansas, inheritance tax, 309, 311-14, 316-17; intangibles, 165, 166, 310; motor vehicles, 322, 327, 338, 342, 346, 348, 352, 358, 360, 364,

Kansas inheritance tax (continued) 381, 384, 386, 388, 389, 390; sales tax, 208
Kansas City, sales tax, 206
Kentucky, bank deposits, 165; chain stores, 205; classification, 24, 142, 163, 165; forests, 407; intangibles, 164, 310; motor vehicles, 322, 326, 327, 339, 342, 346, 348, 352, 358, 360, 364, 381, 383, 384, 386, 388, 389, 390
Krebs plan, assessment of coal, 73

Lake Superior Consolidated Iron Mines v. Lord, 213
Land, tax on unearned increment, 230
Leland, S. E., cited, 141, 143, 146
License fees, automobiles. (*See* Motor vehicle taxes)
License tax, corporation charters, 3, 5 (*See also* Sales tax)
Local finance, main features, West Virginia, 3-9, 40
Localities, distribution of income tax to, 262 (*See also* State aid)
Louisiana, forests, 407; gross earnings tax, 242; inheritance tax, 309, 311-14, 316-18; intangible, 310; motor vehicles, 322, 339, 342, 346, 348, 350, 352, 358, 360, 364, 381, 383, 384, 386, 388, 389; sales tax, 209, severance tax; 210
Low rate tax (*See* Classification, Intangibles, Money and credits, Mortgages, Stocks and bonds)
Lutz, H. L., cited, 178, 194, 198
Luxury taxes (*See* Sales tax)

Maine, forests, 400, 404, 406; gross earnings tax, 242; inheritance tax, 304, 309; 311-14, 316-18; intangibles, 310; motor vehicles, 322, 339, 342, 346, 348, 352, 358, 360, 364, 381, 383, 384, 388, 389, 390
Magoun v. Ill. Trust and Savings Bank, 294
Manual, assessment, 66, 101
Manufacturing, net and gross income, 222; sales tax yields, 206, 235-36, 432, 438; taxation of, 26 *See also* Sales tax)
Map, U. S. income tax states, 244; W. Va. coal fields, 77
Maryland, assessment, 195; inheritance tax, 309, 311-14, 316-17; intangibles, 165, 310; motor vehicles, 195, 322, 327, 339, 342, 346, 348, 352, 358, 360, 364, 381, 384, 386, 388, 389, 390; sales tax, 242
Massachusetts, assessment, 193; forests, 400, 404, 407; income tax, 245, 247, 248, 249, 250, 252, 253, 254, 257, 260, 262, 263, 264, 265, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 289; inheritance tax, 209, 311-14, 316-18; intangibles, motor vehicles, 322, 327, 338, 342, 346, 348, 352, 358, 360, 364, 381, 383, 384, 386, 388, 389, 390; separation, 132
Michigan, assessment, 188; forests, 395, 399, 407; inheritance tax, 309, 311-14, 316-18; intangibles, 310; motor vehicles, 322, 327, 339, 342, 346, 348, 352, 358, 360, 364, 381, 383, 384, 386, 388, 389, 390
Milk drinks, sales tax, 209
Minerals, interstate commerce in, 223; sales tax, 201-3, 432, 437
Mines (*See* Assessment, Coal, Severance tax)
Mining, net and gross income, 222
Minnesota, assessors, 158; classification, 24, 142, 152; constitutionality of occupation and royalty taxes, 212; farm tools and machinery, 152; federal income tax, 279; forests, 399, 404, 408; gross earnings tax rates, 242; household furnishings, 152, 157; inheritance tax, 309, 311-14, 316-18; intangibles, 310; iron ore, 152, 211-13; mortgage registry tax, 160; motor vehicles, 322, 327, 339, 342, 346, 348, 352, 358, 360, 364, 381, 384, 386, 388, 389, 390; occupation tax, 212; severance tax, 211-13; railroads, 153; royalty tax, 210; tax commission, 153, 158, 185; urban real estate, 152
Minnesota v. First National Bank of St. Paul, 160
Mississippi, forests, 404, 408; income tax, 246, 248, 249, 250, 252, 254, 255, 256, 262, 263, 264, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 290; inheritance tax, 309, 311-14, 316-18; intangibles, 310; motor vehicles, 322, 327, 338, 342, 346, 348, 352, 358, 360, 364, 381, 384, 386, 388, 389, 390; sales tax, 205
Missouri, income tax, 246, 248, 249, 250, 252, 253, 254, 255, 256, 257, 258, 262, 263, 264, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 290; inheritance tax, 309, 311-14, 316-18; intangibles, 310; local turnover sales tax, 206; motor vehicles, 322, 327,

Missouri income tax (continued) 338, 342, 346, 348, 352, 358, 360, 364, 381, 383, 384, 386, 388, 389, 390; sales tax, 206
Model income tax law, 247, 249
Model tax system, 2, 34, 138
Money and credits, classification, 153, 161 (*See also* Intangibles)
Money capital (*See* Banks)
Monopoly, incidence of tax as affected by, 155
Montana, agricultural products, 161; banks, 161; classification, 24 n. 1, 142, 161, 165, 176; household goods, 161; income tax, 245, 246, 247, 257, 262, 263, 264, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 290; inheritance tax, 309, 311-14, 316-18; intangibles, 310; money and credits, 161; motor vehicles, 322, 327, 339, 342, 346, 348, 352, 358, 360, 364, 381, 384, 386, 388, 389, 390; public utilities, 161; severance tax, 210
Mortgages, exemption from taxation, 145-48; incidence of tax on, 145-48; interest rates, 25, 146-48; low rate taxation, 148, 153; recording tax, 160, 165; W. Va., 146 (*See also* Chap. VII)
Motor vehicle taxes, administration, 109, 324, 344, 357; average, each state, 322; basis, 319; cities, 341; collections, by states, 360; collection costs, 344; distribution, 340; gasoline taxes, 325-48; general property tax, 109, 194, 319, 323, 422; gross weight basis, 320; mileage basis, 319; recommendations, W. Va., 23; registration costs, 357; registration date, 324; registration fees, 349-64; tires, 319; total by counties, 422; weight basis, 319 (*See also* under each sate)
Multiple turnover tax, 199, 219 (*See also* Sales tax)
Municipal revenues, bonds, property tax yield 1930, 4

National banks (*See* Banks)
National Industrial Conference Board, cited, 48, 199, 206, 224, 232, 245, 257, 317
National Tax Association, income tax, 247; inheritance tax, 301; intangibles, 151; public utilities, 229
Natural resources, protection of, 26, 198 (*See also* Classification, Coal, Forests, Iron, Sales tax, Severance tax)
Nebraska, inheritance tax, 309, 311-14, 316-17; intangibles, 310; money on deposit, 165; motor vehicles, 322, 327, 338, 342, 346, 348, 352, 358, 360, 364, 381, 384, 386, 388, 389, 390
Necessities, 218
Net income, compared with gross income, 222, 228, 240
Net income tax (*See* Income tax)
Nevada, inheritance tax, 309, 311-14; motor vehicles, 322, 327, 338, 342, 347, 348, 352, 358, 361, 364, 381, 383, 384, 386, 388, 389, 390
Newcomer, Mabel, cited, 130
New Hampshire, forests, 404, 408; income tax, 245, 247, 249, 250, 253, 262, 263, 264, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 286; inheritance tax, 309, 311-14, 316-18; intangibles, 310; motor vehicles, 322, 327, 338, 342, 347, 348, 352, 358, 361, 364, 381, 383, 384, 386, 388, 389, 390.
New Jersey, gross earnings tax, 242; inheritance tax, 303, 306, 309, 311-14, 316-18; motor vehicles, 322, 327, 339, 342, 347, 348, 352, 358, 361, 364, 381, 383, 384, 386, 388, 389, 390; separation, 134, 139
New Mexico, classification, 142; inheritance tax, 309, 311-14, 316-18; Intangibles, 24, 301; motor vehicles, 322, 326, 327, 338, 342, 347, 349, 352, 358, 361, 364, 381, 383, 384, 386, 388, 389, 390; severance tax, 210
New York, assessment, 190; debt and tax limitations, 192; forests, 400, 404, 409; inheritance tax, 294, 303, 309, 311-14, 316-18; intangibles, 310; income tax, 245, 247, 248, 249, 252, 254, 255, 256, 257, 258, 260, 262, 263, 264, 265, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 286, 290; mortgages, 147; motor vehicles, 322, 327, 338, 342, 347, 348, 352, 358, 361, 364, 381, 383, 384, 386, 388, 389, 390; separation, 132, 134, 139; tax commission, 172
Non-residents, intangibles, 310
North Carolina, county roads, 22; farms, 431; income tax, 245, 247, 248, 249, 250, 252, 254, 255, 256, 257, 262, 263, 264, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 286, 291; inheritance tax, 294, 309, 311-14, 316-18; in-

North Carolina (continued) tangibles, 310; motor vehicles, 322, 327, 332, 342, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390; separation, 134, 139; tax commission, 22
North Dakota, forests, 404, 409; income tax, 245, 248, 249, 250, 252, 253, 254, 255, 256, 257, 262, 264, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 287, 291; inheritance tax, 309, 311-14, 316-17; intangibles, 310; motor vehicles, 322, 326, 327, 338, 342, 347, 348, 353, 358, 361, 364, 381, 385, 387, 388, 389, 390; sales tax, 208
Nuisance taxes, 218 (*See also* Sales taxes)

Occupation tax, constitutionality, 212-13 (*See also* Severance tax)
Ohio, coal, 224; forests, 409; inheritances, 294, 309, 311-14, 316-17; intangibles, 310; motor vehicles, 322, 327, 338, 342, 347, 348, 353, 358, 361, 364, 381, 385, 387, 388, 389, 390
Oil and gas, sales tax yields, 234-36 (*See also* Classification, Sales tax, Severance tax)
Oklahoma, income tax, 246, 247, 248, 249, 250, 252, 254, 255, 256, 258, 262, 263, 264, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 287; inheritance tax, 309, 311-14, 316-17; mortgage recording tax, 165; motor vehicle, 322, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 385, 387, 388, 389, 390
Oliver Iron Mining Co. v. Lord, 212
Oregon, forests, 399, 404, 409; income tax, 245, 248, 249, 250, 252, 254, 257, 279, 287, 291; inheritances, 309, 311-14, 316-17; intangibles, 310; motor vehicles, 322, 326, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390

Pennsylvania, coal, 224; forests, 400, 404, 409; inheritance tax, 294, 303, 306, 309, 311-14, 316-18; intangibles, 165, 30; motor vehicles, 322, 326, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390; sales tax, 205; separation, 134
Personal property, assessment, W. Va., 19, 71, 413, 415, 426; motor vehicles, 109, 194; offset, income tax, 257; valuations, 1867-1930, 415 (*See also* Property tax)
Philippine Islands, sales tax, 206
Pipe lines (*See* Public utilities)
Playing cards, South Carolina, 210
Plehn, C. C., cited, 130, 146
Pool rooms, South Carolina, 210
Porto Rico, sales tax, 206
Prison labor, revenue, 3, 5
Privilege tax, income as measure of, 266 (*See also* Sales tax)
Profit, ratios to capital, 221-22
Property tax, adaptation to new conditions, 50; administration, 1; automobiles, 374; banks, 160; defects, 51, 324; gas and oil, 169; gross sales tax compared with. 231; growth in revenue, 41; income tax as supplement, 263; local direct levies 1915-1930, 42, 413, 424 (*See also* Administration, Assessment, Classification, General property tax, Income tax, Revenues, Separation)
Property, W. Va., assessed valuations by counties, 418
Public utilities, assessment, 19, 135, 413, 415, 418; classification, 161; county assessments, W. Va., 417; equitable taxation of, 229; gross earnings, 242; sales tax, 201-3, 236, 242; separation, 135 (*See also* Income tax, Railroads, Sales tax)
Public Works, Board of, 100, 228, 237, 238

Railroads, federal income tax, 237; gross and net earnings, 228; gross sales tax compared with federal income tax, 237; income allocated to West Virginia, 237; W. Va., 226, 237, 242, 435, 440 (*See also* Public utilities)
Rates of tax levy, W. Va. by counties 1928-1929, 423
Real estate, assessment, 11-20, 415; coal and timber land, 113; farms, 111, 113, 117, 119, 124; leased properties, 125; Montana, 161; sale price compared with assessed value, 11, 20; tracts, 112; urban lots, 112; valuations, 1867-1930, 415 (*See also* Assessment, Reassessments and Chaps. IV, V, and VIII)

Reassessment, equalization commission, 31; necessity for, W. Va., 1, 8-20, 29, 126; special commission, W. Va., 31; supervision, 184 (*See also* Assessment, Property tax)
Reciprocity, 304, 310 (*See also* Inheritance tax)
Recommendations, relation to W. Va. taxes, Chapter I and throughout report
Redfield v. Fisher (Oregon), 251
Retail sales, gross sales tax, 201-4; incidence of taxes, 222; W. Va. taxes on, 201-3, 235-36, 433, 438
Revenue, amount annually, W. Va., 37, 413-31; distribution to localities, 4, 40, 125, 132, 367, 390; education, 238; estimated, 1931, 1932-1933, 56; gasoline tax, 330; gross sales totals, 1921-1930, 432-41; motor vehicles, 322, 346, 357, 360; road fund, 39, 349-90; special sources, 38; state and local finances, 3, 37-41; summary, W. Va., 3, 4, 5, 37, 125 (*See also* Assessment, General property, Inheritance, Motor vehicles, Sales tax, Separation)
Rhode Island, inheritance tax, 294, 309, 311-14, 316-17; intangibles, 165, 310; motor vehicles, 322, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390
Rhode Island Hospital Trust Company v. Doughton, 305
Roads, bonds, 365-75; commission, 7; construction costs, 374; counties, North Carolina, 22; federal aid, W. Va., 7, 365; finance, W. Va., 22, 39, 349-90; maintenance, 380; miles paved, 382 (*See also* Counties, Motor vehicle taxes and under name of each state)
Rothschild, M. D., cited, 220
Royalty tax, Minnesota, 210 (*See also* Severance tax)
Rural real estate (*See* Assessment, Farms)

St. Louis, sales tax, 206
Safe Deposit Company v. Virginia, 305
Sale price (*See* Assessment, Real estate)
Sales taxes, administration, 20, 204, 232; advantages of, 232; business, effect on, 222-24; cigarettes, 208, 442; collections, 3, 5, 125, 201, 204, 205, 209, 210, 225, 234-39, 432-41; consumption excises, 207; definitions, 198; development, 200; difficulties, 217, 223, 233; excise, substitute for, 2, 21; extractive industries, 223; gross earnings, 227; general characteristics, 200; incidence, 200, 213-23; income tax compared with, 225, 269; inequities, 20, 217; kilowatt hour, 218; land, 230; luxury taxes, 217; multiple turn over, 219; occupation tax, 211; privilege tax, 199; profit and capital ratios, 221; public utilities, 201-4, 222, 226, 228, 234-42, 435-40; rates, 201-10, 224; regressive nature, 217; retailers, 201, 222, 235-6, 433, 438; severance tax, 198, 200, 210-13; single turn over, 199; substitutes, 2, 20, 232; timber, 234; unearned increment of land, 230; wholesalers, 223, 235, 434, 439 (*See also* under the name of each state)
Schools (*See* Education)
Segregation of sources, (*See* Separation of sources)
Seligman, E. R. A., cited, 130, 140, 201
Separation, arguments for, 130; criticism of, 131; conclusions, 134; historical stages, 129; reform movement, 130; states adopting, 134; state and local revenue, 129-40; trend in legislation, 138; W. Va., 5, 22-23, 134, 140 (*See also* under the name of each state)
Severance taxes, administration, 210; arguments for, 155; definition, 198; difficulties, 157, 230; forests, 398; incidence, 155, 223
Shifting of taxes (*See* Incidence)
Shultz, W. J., cited, 295, 300
Smoking tobacco, (*See* Tobacco)
Soft drinks, sales tax, 209
Special sales tax (*See* Sales tax)
Sporting goods, sales tax, 210
South Carolina, admissions, 209; candy, 209; chain stores, 210; contractors, 210; cosmetics, 209; income tax, 245, 248, 249, 250, 252, 254, 162, 263, 264, 273, 274, 275, 276, 278, 279, 280, 281, 282, 283, 284, 287, 291; inheritance tax, 309, 311-13; 316-17; intangibles, 310; milk drinks, 209; motor vehicles, 322, 326, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 90; playing cards, 210; pool rooms, 210; sales tax, 209, 442

South Dakota, assessment, 177; forests, 404, 410; inheritance tax, 309, 311-14, 316-18; intangibles, 310; motor vehicles, 322, 327, 339, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390; mortgages, 165, 166; sales tax, 208, 442; Tax Commission, 177
Spain, sales tax, 200
Stamp taxes, 209
State aid, 4, 40, 125, 132, 367, 390
State and local revenues (*See* Revenues)
State finance, main features, W. Va. 3-9
State government (*See* Expenditures, Revenues)
State supervision of assessment (*See* Assessment, Supervision, Chap VIII)
Stocks and bonds, incidence of taxes on, 25, 148-51
Supervision of assessment, 30 (*See* Administration, Assessment, chapter VIII)

Tax Commission, California 1929, 135-39; general considerations, 171; Minnesota, 185; North Carolina, 22; Report of Special Commission, W. Va., 108; Wisconsin, 173, 258 (*See also* Assessment, Supervision)
Tax commissioner, W. Va., additional authority needed, 1, 30, 172, 197; powers, 100
Tax levies, per capita, 431; purposes, 428
Tax limitation, 192
Tax revenues, total 1928, W. Va., 420; 1929, 421 (*See* Revenues and under each tax)
Tax system, defects, W. Va., 1, 34; requirements of good system, 33-36
Telegraph and telephone companies, California, 136; Minnesota, 153; W. Va., 242, 435, 440
Tennessee, income tax, 246, 247, 249, 250, 274, 275, 278, 279, 288, 291; inheritance tax, 309, 311-14, 316-18; motor vehicles, 322, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390; sales tax, 208
Texas, inheritance tax, 309, 311-14, 316-17; intangibles, 310; motor vehicles, 322, 326, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 385, 387, 388, 389, 390
Timber land, W. Va., 113; sales tax, 234
Tobacco, sales tax, 209, 442 (*See also* Cigarettes, Sales tax)
Tracts, 17, 112, 121, 124
Trade, net and gross income, 222
Transportation companies, net and gross income, 222
Trucks (*See* Motor vehicles)
Turnover taxation (*See* Sales tax)

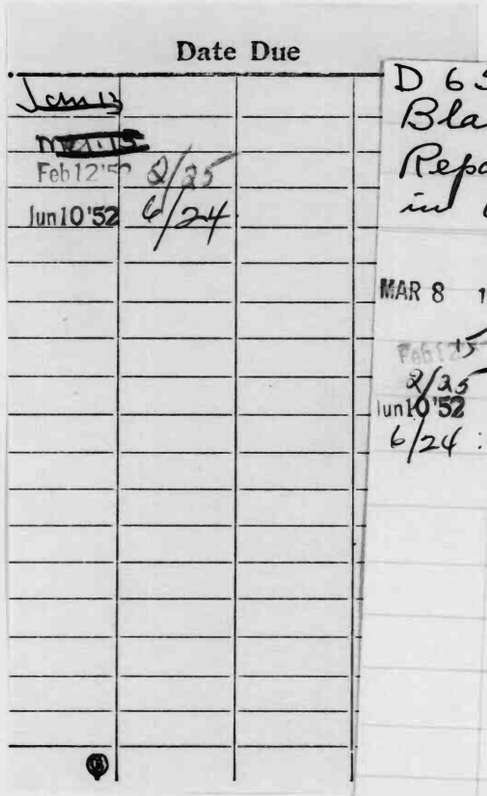
Uniform clause, intangibles, 25
Urban population, motor vehicles, 336
Urban real estate, W. Va., 13, 18, 112, 124; Wisconsin, 180 (*See also* Assessment, Real estate, Supervision)
United States (*See* Federal)
U. S. Bureau of Standards, motor vehicle taxes, 319, 321, 323
U. S. Forest Service, 396
U. S. Supreme Court, banks, 160, 168; inheritance tax, 293, 294, 305; severance tax, 212
Utah, inheritance tax, 309, 311-14, 316-17; intangibles, 310; motor vehicles, 322, 326, 327, 337, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390; sales tax, 208

Valuation (*See* Assessment)
Vermont, forests, 400, 404, 410; inheritance, 294, 309, 311-14, 316-17; intangibles, 165, 310; motor vehicles, 322, 327, 339, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390
Virginia, bank stock, 162; classification, 24, 142, 162, 165; income tax, 245, 248, 250, 252, 254, 262-4, 273-84, 288, 291; inheritance, 309, 311-14; 316-17; intangibles, 102, 310; mortgages, 165; motor vehicles, 322, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390; separation, 139
Virginia debt, 3, 7, 39, 428

Washington, income tax, 245, 247, 251, 257, 278, 279, 280, 281, 291; inheritance tax, 294, 309, 311-14, 316-18; motor vehicles, 322, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 383, 385, 387, 388, 389, 390

Wholesalers, sales tax yields, 201-3, 235-36, 434, 439
Wisconsin, assessment, 179; forests, 400, 404, 410; income tax, 243, 245, 246, 247, 248, 249, 250, 257, 258, 260, 263, 265, 273, 274, 275, 276, 277, 278, 279, 280, 281, 288, 291; inheritance tax, 294, 309, 311-14, 316-18; intangibles, 310; mortgages, 147; motor vehicles, 322, 327, 338, 343, 347, 348, 353, 358, 361, 364, 381, 385, 387, 388, 389, 390; separation, 134; tax commission, 173, 258
Wyoming, forests, 410; inheritance tax, 309, 311-14, 316-18; intangibles, 310; motor vehicles, 322, 327, 338, 353, 358, 361, 364, 381, 385, 387, 388, 389, 390

Yields (*See* Classification, Collections, Forest tax, Gasoline tax, General property tax, Gross earnings, Income tax, Inheritance tax, Sales tax, Separation)



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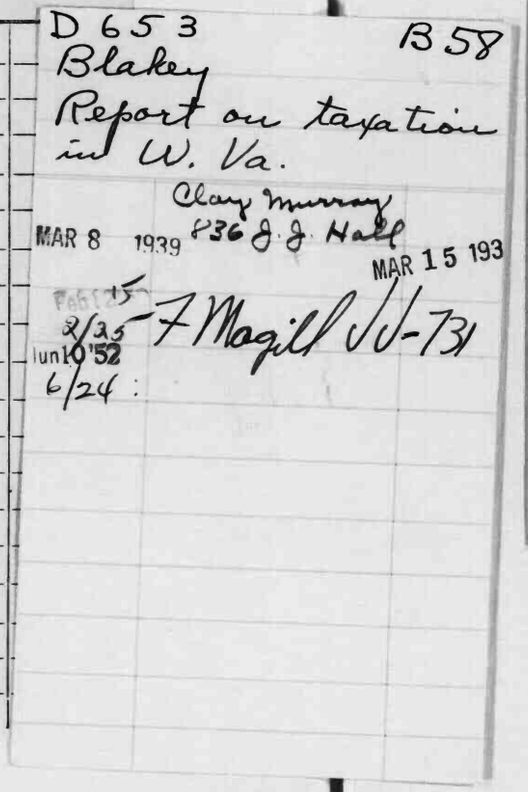

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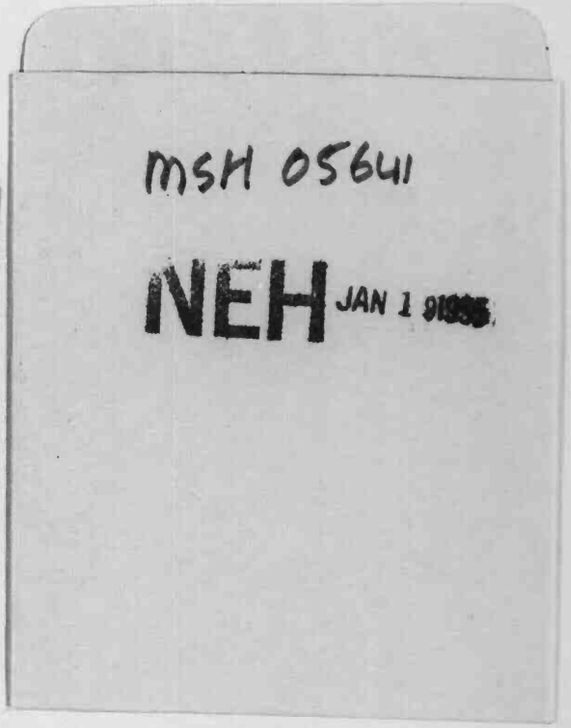

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